

# Public Utilities



Volume 63 No. 11

May 21, 1959

## MODERN UTILITY PUBLIC RELATIONS ORGANIZATION PRACTICES

*By Francis X. Welch*

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## Laymen as Regulatory Commissioners Part II.

*By Lincoln Smith*

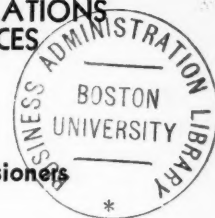
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## New Problems Facing Utility Management

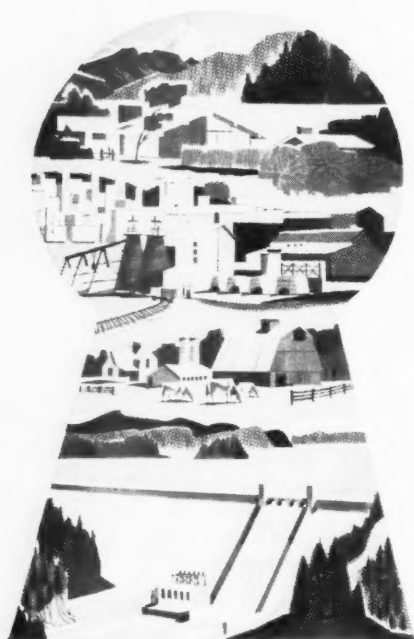
*By Alfred M. Cooper*

« »

## Two Senators Speak on Power Problems



# Electric power – the key to better living and economic progress



## QUICK FACTS—1958

	Amount	Per Cent Increase Over 1957
Net Income for Common Stock	\$ 6,424,342	8
Per Share of Common Stock	\$1.97	8
Per Cent of Operating Revenues	22.4	2
Dividend Rate Per Share at End of Year	\$1.44	6
Gross Additions to Utility Plant	33,328,521	15
Kilowatt-hour Sales (in thousands)	2,381,562	6
Peak Load—Kilowatts	601,000	14
Customers at End of Year	207,432	4
Average Annual Kilowatt- Hour Use Per Residential Customer	7,840	3

**C**ONSTANTLY expanding use and new applications make electric power increasingly indispensable to the more abundant life and our national economy and security. When this concept is adhered to under a system which respects the dignity, worth and freedom of every person, then we know we are succeeding in the vital task of satisfying human wants. To this Puget is dedicated.

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# Public Utilities

## FORTNIGHTLY

VOLUME 63

MAY 21, 1959

NUMBER 11



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An analytical article which should enable readers to compare company organizations and practices.

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The increasing responsibility for decisions from the top level down has snowballed during the past two decades.

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# Pages with the Editors

THE opening article in this issue was written by our editor, FRANCIS X. WELCH, who has been conducting a survey in the field of public relations organization of various public utility companies. Questionnaire forms were sent to top executives and officials of these companies all over the country. And a surprisingly high number of responses resulted. Based on these answers, we now have an analytical article which should enable readers to compare particular company organizations with overall patterns or lack of patterns.

READERS will find arguments both for and against separate organization of public utility divisions independent of other company operations. Against the argument that public relations responsibility should be mainly delegated to a single recognized officer or program director, there is the counterargument that too much insulation of the public relations program tends to build up watertight compartments between various company activities. Thus overall communications may suffer by the very program calculated to improve them.

PERHAPS the key to the situation is to be found in the thought in MR. WELCH'S



FRANCIS X. WELCH



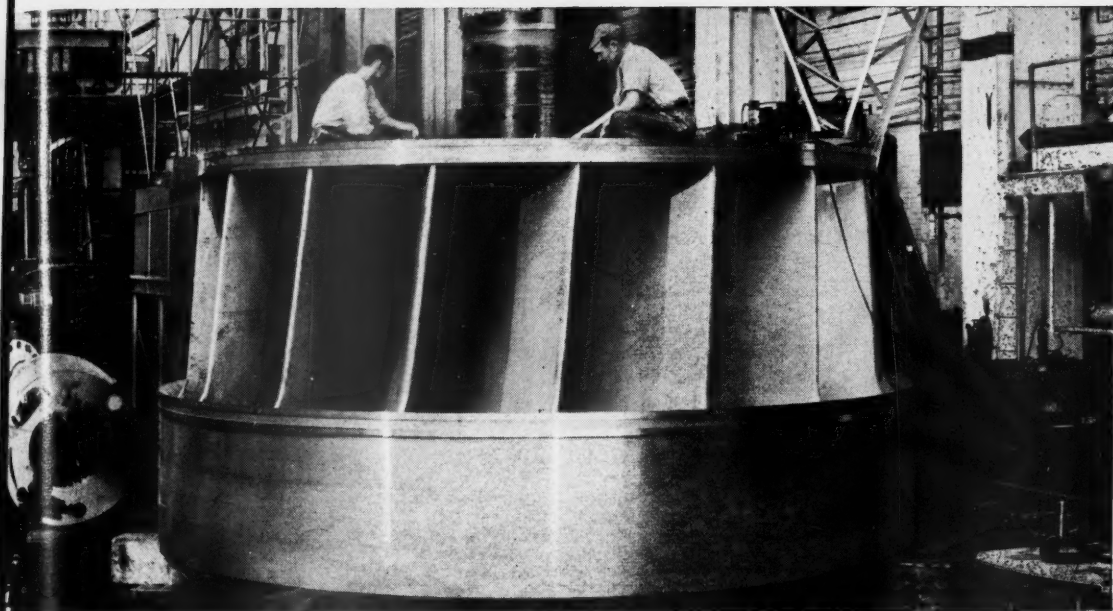
LINCOLN SMITH

article that the public relations officer of a utility should be the conscience and not the apologist of the company. This would seem to suggest not only some real responsibility for policy decisions, rather than the job of publicity scullery maid cleaning up after decisions made by others, but also a responsibility for being a common denominator, bringing others into accord and better understanding.

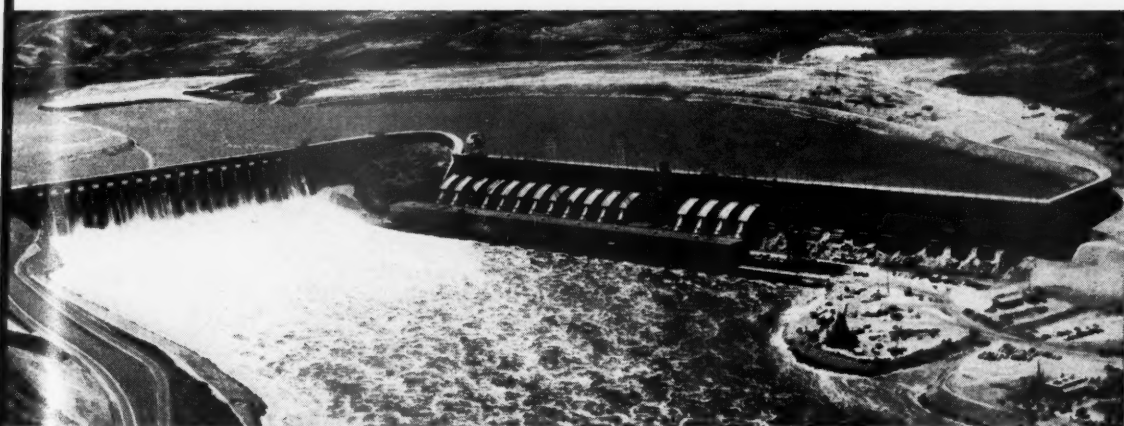
WHICHEVER side of these differences of views the reader favors — and there are quite a few differences—it seems to be generally agreed that the public relations officer has one special responsibility of his own. And that is to look out for the others in the organization to see that the company's position is made clear and comprehensible. Too often a company's relations suffer more from obscurity than distortion. It is an axiom in public relations circles that the public will not accept that which it cannot understand. Perhaps a little more emphasis on the negative side of that idea is in order. Maybe the public is all too prone to *reject* that which it *cannot* understand.

\* \* \* \*

BEGINNING on page 750 there appears the second of a two-part series of



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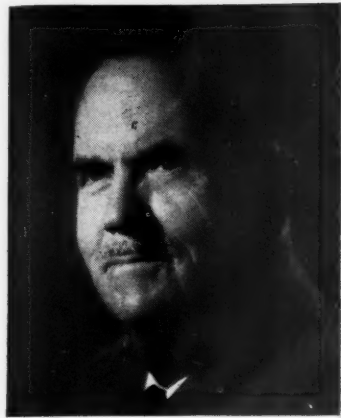
## PAGES WITH THE EDITORS (Continued)

articles on the value of the so-called "layman's" background in the effective functioning of a regulatory commission. In the first instalment, which appeared in our issue of May 7th, the arguments in favor of using the "well-rounded" layman on our commissions were set forth. In this concluding instalment, some of the negative arguments involved in using nonprofessional commissioners, as distinguished from those with expert training or background, were presented.

THE author of this article, DR. LINCOLN SMITH, is a native of Maine and a graduate of Bowdoin College. He holds the PhD degree in political science from the University of Wisconsin. He is a specialist in public law and public administration, and has written one book and many articles in the field of regulatory administration. DR. SMITH is now teaching political science at New York University and pursuing research work. "Laymen as Regulatory Commissioners" is one in a series of studies he is making on the rôle of various professional and other vocations in the membership of commissions regulating public utilities.

\* \* \* \*

ALFRED M. COOPER of Indio, California, who has written numerous articles on business and management practices, makes some interesting general observations on new problems facing utility management in his article beginning on page 760. He stresses the increasing complexity of modern business operations and the corresponding pressure and responsibility on management. Years ago, during the relatively simple period of utility operation, a company executive might be concerned mainly about his own city or community service area. Then it became important for him to consider what was going on at the state capital where laws, taxes, and other things affecting his company's operations were developing. Then his field of interest was necessarily broadened to the nation's capital in Washington, D. C., along about the time of World War I. And that focal point of management interest has been increasing in importance ever since.



ALFRED M. COOPER

BUT still more recently it has become necessary for the modern executive to worry about international developments. Who knows but that the day might not be far off when the orbit of managerial interest and responsibility will have to include some consideration of outer space. Already the Navy is planning, during the coming year, to set up short-wave two-way radiotelephone communications between Annapolis, Maryland, and Honolulu, using the moon as a relay bouncing target. It goes to show that the communications business already is getting out of this world. Can the day be far off when other utility businesses will find themselves similarly involved?

MR. COOPER once taught in Kansas City public schools and in the University of Southern California School of Government. During the last three decades, however, he has supervised employee training on a full-time or consulting basis for a number of utility companies, industrial concerns, and (from 1934 to 1938) for the Los Angeles Department of Water and Power. He is the author of a number of books and articles on management training, and has contributed to symposiums on educational techniques.

THE next number of this magazine will be out June 4th.

*The Editors*

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### 1958 HIGHLIGHTS

	1958	Increase Over 1957
Property and Plant	\$625,000,000	\$51,000,000
Operating Revenues	\$139,660,000	\$10,060,000
Balance for Common Stock	\$ 23,537,000	\$ 1,821,000
Earnings per share (14,200,000 shares)	\$1.66	\$ .13
Number of Customers	815,000	19,000
Electric Sales		
—thousands of kwh	6,683,000	496,000
Service Area Peak Load—kw	1,439,000	106,000
Gas Sales		
—thousands of cubic feet	6,814,000	1,592,000



For a copy of our 1958 annual report, write to the Secretary.

## VIRGINIA ELECTRIC AND POWER COMPANY

7th and Franklin Streets, Richmond, Virginia

# Coming IN THE NEXT ISSUE

(June 4, 1959, issue)



## **THE UTILITIES' STAKE IN EDUCATION**

How can utilities assist teachers in fostering a better understanding of our enterprise system at various school levels? John D. Garwood, himself a veteran educator and professor of economics at Fort Hays Kansas State College, Hays, Kansas, says that it is necessary for teachers of economics, and through them their pupils, to get out of the classroom and into the market place where they can see for themselves what makes the wheels of American industry go around. This article suggests that direct contact and educational contribution could be valuable instruments in persuading our economics teachers to take an overall view of the national economy instead of confining their instruction to theoretical blackboard puzzles.

## **COST OF CAPITAL AND THE CAPITAL STRUCTURE OF ELECTRIC COMPANIES**

This is the follow-up of Professor Franklin H. Cook's article on "Capital Needs of Electric Power," which appeared in the December 4, 1958, issue of PUBLIC UTILITIES FORTNIGHTLY. It will be followed at a future time by a final sequel on the ability of the electric power industry to attract capital. Within the next thirty years the demand for electric power will increase so dramatically as to amounts needed, geographical expansion, and technology that all electric companies will be under grave and continuous pressure for raising necessary funds to finance such expansion. Professor Cook shows why new assets can be secured only through the procurement of internal funds withheld in depreciation reserves and earned surplus, in addition to further capital issues.

## **THE UNDISCOVERED, UNSUNG UTILITY DIRECTOR**

What is the utility company director? What does he do? How is he selected? Is there any uniform pattern of practice among public utility companies in the United States in the selection of their corporate directors? If not, what are the reasons for a diversity of practice? James H. Collins, author of numerous articles on business, has made a check of this and his conclusions are entertaining as well as informative. They take the reader behind the corporate scenes to see just what a company director does and how important he is and why some companies go in strong for career directors, while others cultivate important community personalities for directorships.



**Also . . . Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.**

# R&S Standard Report

PEOPLES UTILITY COMPANY  
BILL ANALYSIS - Commercial  
PERIOD - Year 19 -

Kw. Hrs.	No. Bills	Consumption in Kw. Hrs.	No. Bills	CUMULATIVE Consumption in Kw. Hrs.	RATE - Consolidated Factor
1	1	100	1	100	1.0000
2	2	200	2	200	1.0000
3	3	300	3	300	1.0000
4	4	400	4	400	1.0000
5	5	500	5	500	1.0000
6	6	600	6	600	1.0000
7	7	700	7	700	1.0000
8	8	800	8	800	1.0000
9	9	900	9	900	1.0000
10	10	1000	10	1000	1.0000
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93	93	9300	93	9300	1.0000
94	94	9400	94	9400	1.0000
95	95	9500	95	9500	1.0000
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97	97	9700	97	9700	1.0000
98	98	9800	98	9800	1.0000
99	99	9900	99	9900	1.0000
100	100	10000	100	10000	1.0000

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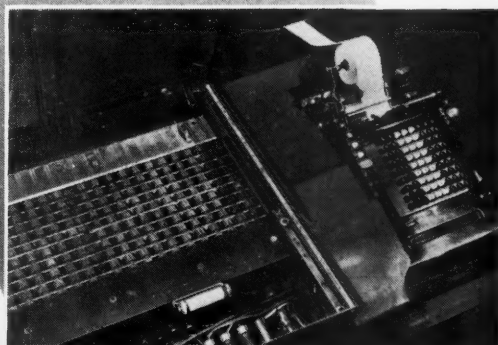
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*Waitsburg (Washington) Times.*

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WILLARD F. LIBBY  
*Member, Atomic Energy  
Commission.*

"With the enormous increase in population will come great demands for food to feed and houses to house the people of the world and the question of the adequacy of the food supply. It will require all of our ingenuity and effort to increase the supply rapidly enough, though we are at the moment in a state of surplus. In another vital area—electric power—the supply is likely to be short of demand. True that for several centuries ahead we can imagine mining enough coal and oil to generate electric power for the needs of the future generations, but coal and oil are not regenerated, at any rate that is appreciable compared to the rates of usage, so with the explosive increase in population we envisage the exhaustion of at least the more economic supplies of fossil fuels. The atom will help us in both of these—in the first by helping us better understand the farming methods and perhaps helping us to develop more prolific crops by the irradiation of seeds to produce mutants and in the second by giving us atomic power."

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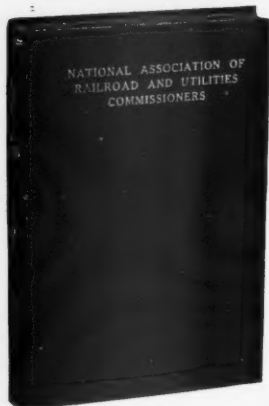
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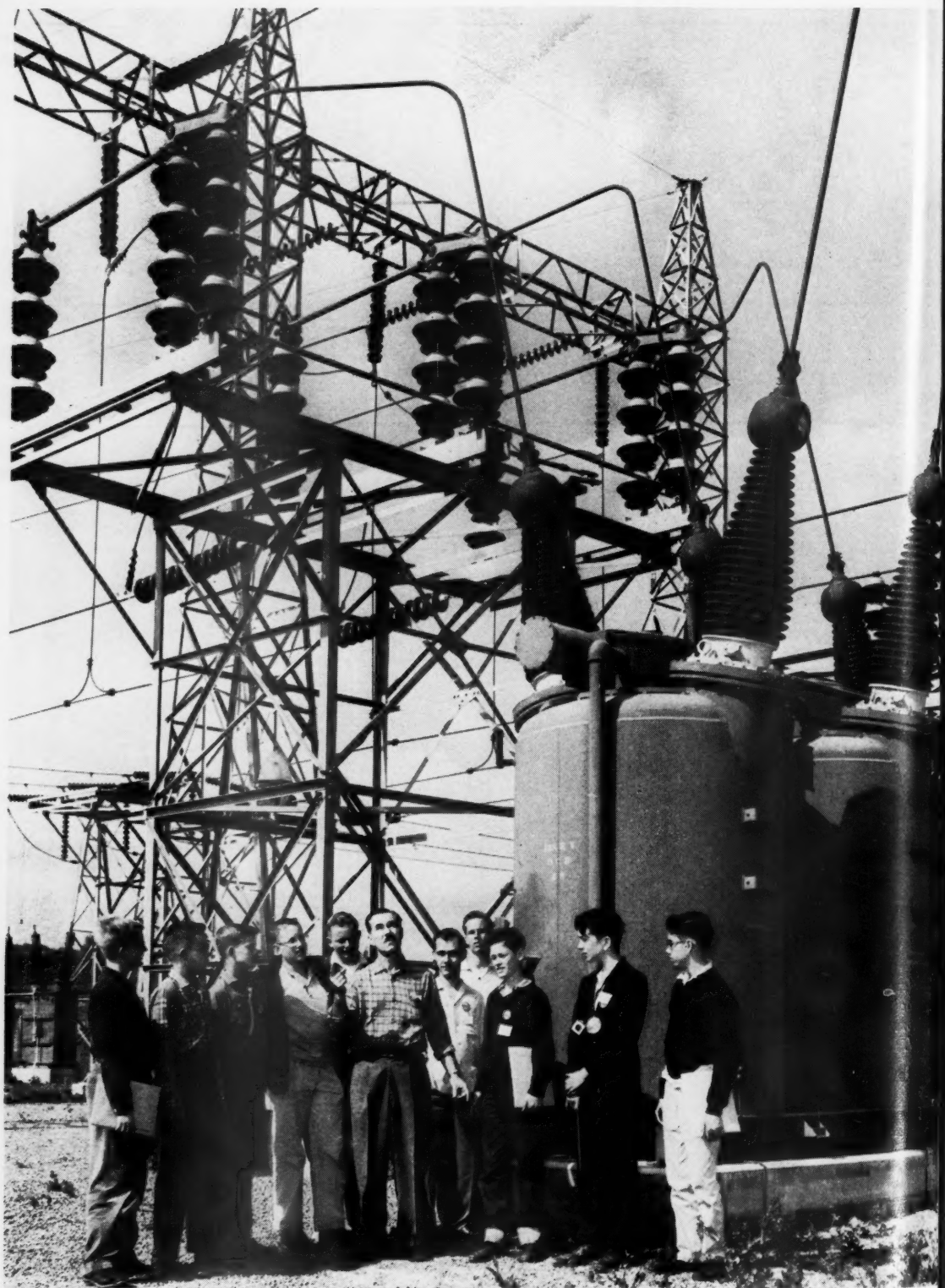
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# UTILITIES

## *A.l.m.a.n.a.c.k*

### MAY-JUNE

<b>Thursday—21</b> <i>Natural Gas and Petroleum Association of Canada begins meeting, Hamilton, Ontario, Canada.</i>	<b>Friday—22</b> <i>Pacific Coast Electrical Association ends three-day annual convention, San Francisco, Cal.</i> 	<b>Saturday—23</b> <i>Florida-Georgia Gas Association ends four-day spring convention, Clearwater, Fla.</i>	<b>Sunday—24</b> <i>Wisconsin Utilities Association, Accounting Section, will hold convention, Devolan, Wis. June 7-9. Advance notice.</i>
<b>Monday—25</b> <i>National Watershed Congress begins, Washington, D. C.</i>	<b>Tuesday—26</b> <i>Edison Electric Institute, Electrical System and Equipment Committee, ends two-day meeting, Pittsburgh, Pa.</i>	<b>Wednesday—27</b> <i>American Right of Way Association begins fifth annual national seminar, St. Louis, Mo.</i>	<b>Thursday—28</b> <i>American Gas Association-Independent Natural Gas Association of America will hold national public relations conference, Chicago, Ill. June 14-16. Advance notice.</i>
<b>Friday—29</b> <i>New York Telephone Association will hold annual convention, Schroon Lake, N. Y. June 15-17. Advance notice.</i> 	<b>Saturday—30</b> <i>Michigan Electric Association will hold annual meeting, Mackinac Island, Mich. June 22, 23. Advance notice.</i>	<b>Sunday—31</b> <i>Air Pollution Control Association will hold annual meeting, Los Angeles, Cal. June 22-26. Advance notice.</i>	<b>JUNE</b> <b>Monday—1</b> <i>Pennsylvania Telephone Association begins annual convention, Buck Hill Falls, Pa.</i>
<b>Tuesday—2</b> <i>Appalachian Underground Corrosion Short Course begins, Morgantown, W. Va.</i>	<b>Wednesday—3</b> <i>National Coal Association begins convention, Washington, D. C.</i>	<b>Thursday—4</b> <i>Northwest Electric Light and Power Association, Accounting and Business Practice Section, begins meeting, Butte, Mont.</i>	<b>Friday—5</b> <i>California Telephone Association ends three-day annual convention, Los Angeles, Cal.</i>



### Utility Engineers of 1965?

*A group of high school students are introduced to the intricacies of a 138-kilovolt circuit breaker by a company engineer during their tour of facilities of the San Diego Gas & Electric Company.*

# Public Utilities

## *FORTNIGHTLY*

VOLUME 63

MAY 21, 1959

NUMBER 11



## Modern Utility Public Relations Organization Practices

Virtually everyone in the public utility field is aware of the growing importance of specialized public relations organization of operating companies. But there are relatively few data available about the comparative status of such organization and the changing pattern and trends which are taking place among the various companies.

By FRANCIS X. WELCH\*

A LITTLE more than a year ago there was published in this magazine an article which was the result of a survey of public relations organization in the electric utility companies.<sup>1</sup> This survey analyzed comparatively the public relations activities of these companies with relation to other aspects of company management. Such a high degree of interest was shown in this rather limited study that this writer was moved to undertake

a more extensive survey—one which would embrace not only electric companies but other public utility industries as well.

The questionnaire form was used as the basis for a listing of source information from 150 top executives whose co-operation was asked on the basis that they, as well as the general readers of PUBLIC UTILITIES FORTNIGHTLY, would be interested in comparing their own company organization and practices with the overall pattern. A very high proportion of responses resulted. A total of 124, or ap-

\*Editor, PUBLIC UTILITIES FORTNIGHTLY.

<sup>1</sup>"Public Relations Organization in Electric Utility Companies," by George W. Peak. PUBLIC UTILITIES FORTNIGHTLY, March 27, 1958, p. 478.

## PUBLIC UTILITIES FORTNIGHTLY

proximately 80 per cent of those queried, had returned some form of reply as of the time of the writing of this article and there were some who, because of the pressure of other matters, asked for an extension of time to complete the returns. All, without exception, expressed great interest in the project and many voiced the hope that the results would be helpful and enlightening not only for those who participated but for others who have an interest in knowing more about the trends of public utility management in public relations organization.

**T**HIS high degree of response and active interest is, in itself, an apparent indication of the awareness throughout public utility company management of the growing importance of specialized public relations organization. But there, it might be said, unanimity ended. Indeed, out of the 124 replies from gas, electric, and some telephone company officials, there was very little uniformity with respect to the organization of public relations responsibility. It recalls the old Irish bull to the effect that "They were all alike in only one thing, and that was in being different from one another."

But to get on to some overall impressions which this writer had in reviewing the 124 replies, it might fairly be said that the considerable division of opinion in no way reflects any *lack* of interest or minimizing of the importance of the rôle of public relations. The differences seem chiefly to stem from a real concern as to the best approach to the problem, and in no case is there a denial that any problem exists. These are differences over means and techniques rather than objectives.

Quite a few of the responding execu-

tives were not content to limit their observations to a bare reply to the twelve questions asked in the questionnaire form. They felt that, in order to give a fair picture of their company's organization, a particularized description and the underlying reasons were in order. But more about these interesting and valuable special commentaries later on.

**O**NE more general observation before moving on to the questionnaire form itself. This writer sensed a substantial uncertainty over the way public relations, as such, is being emphasized. While this was the minority viewpoint, it recurred often enough to indicate that there is some concern at the top level as to whether the very phrase "public relations" is not becoming a bit shopworn. We know, of course, that that happens now and again to perfectly good words that are overworked. We have lost much usefulness in such once respectful words as "propaganda" and that much abused word "communications" in this manner. They have been stretched so much to cover so many things that they have ended up by meaning something different to many people.

One responding public utility official said that he had heard the phrase "public relations" itself used in a context virtually synonymous with propaganda. That is certainly food for thought.

### Background of Public Relations Organization

**T**HE first question in the form used was "Does your company organization have a specific, continuing, organized public relations program?" As might be anticipated, the great majority of responses were in the affirmative: Eighty-

## Public Relations Survey Welcomed by West Coast Utility President

"THIS is my first opportunity to answer your good letter of March 12th with its accompanying questionnaire on our public relations organization. . . . Let me say at the outset that I am delighted that you are undertaking such a survey and I shall look forward with the keenest interest to the article you plan to publish subsequently when all the results are in hand. I am most appreciative of your including us in such an authoritative study and I am sure its results will be enlightening."



two answered "Yes"; 23 answered "No."

But to the supplementary question (asked of those answering "Yes") as to when such programs were established, there was a very wide range of chronology, when one stops to realize that a relatively few present public utility organizations are more than fifty years of age.

The earliest goes back to 1903. One was established in 1927; 13 came along during the thirties. During the decade from 1940 through 1949, 30 companies established such programs and 32 more have been established in the eight and one-half years since 1950. There has been some tapering off in the "birth rate," in the last four years due, doubtless, to the fact that most companies had already established their programs.

### Separate or Associated Responsibilities

THE second and third questions dealt with whether a given company's public relations program was organized as a separate responsibility or associated with other functions of management. Thirty companies were listed as having separate public relations responsibility, while 86 companies include public relations with

other duties. However, 104 companies said that there was a special public relations officer in charge, while only ten companies were recorded as having no special public relations officer in charge.

### Title of Public Relations Officer

HERE is where there was a wide divergence of usage, already referred to. Of the 38 different titles given, 27 companies placed the public relations responsibility under the vice president without special title (of these, three placed the responsibility in their executive vice president), while six used the full title, "vice president of public relations." "Director of public relations" is another popular designation, used by 16 companies. Eight companies assigned the public relations program to their vice president of sales, while nine other companies assigned it to an assistant vice president. Six companies combined the duties of "director of advertising and public relations."

The balance of the titles listed were scattered, with one or two designations of various kinds, several placing the duties under vice presidents having a different title (other than sales, already mentioned).

## PUBLIC UTILITIES FORTNIGHTLY

### To Whom Does the PR Officer Report?

**R**EPLYING to the question whether the company's public relations officer reported directly to the president, 81 answered "Yes," whereas 26 answered "No."

In replying to the supplemental question—to whom does he report if not to the president—there was considerable variety, as shown in the following partial list: vice president, eight; executive vice president, seven; vice president of sales, three; vice president of administration, two; vice president and secretary, one; commercial vice president, one; vice president and general manager, one; vice president of publicity and industrial relations, one.

### Weight of the Public Relations Officer

**T**O the question whether the public relations officers had a "clear or active voice in the management policy decisions," there was a great preponderance of affirmative answers—100, as against only five in the negative. Likewise, the question whether the weight accorded to the voice of public relations officers was of top management caliber, the affirmative replies numbered 99; the negative only three.

### Associated Activities

**T**HE questionnaire listed six different but somewhat allied activities of a typical public utility company and asked whether the public relations officer had responsibility for any one or all or any combination of them. These included (1) public relations; (2) advertising; (3) customer relations; (4) community relations; (5) stockholder relations; and (6) employee relations. There were more than

20 different combinations of answers to this question.

But the following breakdown suggests the degree of frequency in such associated activities: The highest combination was 17 companies, which listed all six functions as being under the responsibility of the public relations officer. Fifteen companies listed the first four but not stockholder or employee relations. Ten companies listed all functions except stockholder relations. Eleven companies listed only the first three, and eight companies listed public relations and community relations only. The balance of replies were scattered, showing no particular pattern.

### PR Clearance with Other Officials

**A**BOUT 40 per cent (52) of the replies indicated that company officials in charge of public relations programs had original discretion to issue statements, releases, etc., without clearing them with other officials. But 38 of the companies require such clearance, while 17 follow a compromise pattern which gives the public relations officer a certain amount of discretion in situations not involving very much policy change.

Where a public relations officer is required to clear his releases, statements, etc., on company matters with other officials, who are these officials? In the case of 20 companies, clearance must be made with the president. In the case of nine companies it must be made with either the president or executive vice president. Clearances with the chairman, president, or executive vice president, are required in two cases and in two more cases clearances were required with other vice presidents. There was a scattering of one each

# MODERN UTILITY PUBLIC RELATIONS ORGANIZATION PRACTICES

## Typical Reply to Public Relations Questionnaire

Inquiries on Your Company's Public Relations Organization

- Does your company organization have a specific, continuing, organized public relations program? Yes No  
Since when? (Date 1924)
- Is the over-all responsibility for supervising such public relations functions especially assigned to a separate branch or staff division, or is it included among the responsibilities of an official who has other specific duties, such as legal, sales, sales promotion, advertising, engineering, etc.? Included with other duties  
Separate
- Is there a special officer of the company or staff official in charge of the public relations functions? Yes No
- What is the title of this official? Vice President, Sales & Public Relations  
Also have a Supervisor, Public & Employee Relations
- Does he report directly to the president? Yes No  
If not, to whom does he report?
- Has this public relations official in immediate charge of public relations been given a clear and active voice in management policy decisions? Yes No
- If the answer to No. 6 is "yes," do you believe the weight accorded his views by top management on public relations problems is equal to the weight accorded by top management to the views on public relations policies accorded other company officials -- such as engineers, personnel officers, sales officers, purchasing, attorneys, distribution, transmission, etc.? Yes No
- Are company publicity efforts, paid advertising operations, customer relations, and service complaints placed under the responsibility of the public relations director?  

Public relations	<u>Yes</u>	No
Advertising	<u>Yes</u>	No
Customer relations	<u>Yes</u>	No
Community relations	<u>Yes</u>	No
Stockholder relations	<u>Yes</u>	No
Employee relations	<u>Yes</u>	No
- Does the official in charge of your company's public relations functions have discretion to issue statements, releases, etc., or must these be cleared by other officials? Discretion  
Depends on content. Must be cleared
- If the answer to the foregoing is that statements and publicity must be cleared before release, by what official or division is such clearance required as a matter of routine? President
- Does the company official in charge of your company's public relations functions have any of the following backgrounds:  

<u>X</u> Career employee or official specializing in public relations.
Special training in public relations in other business.
Special academic training in public relations.
Former newspaper or writing experience.
Former newspaper or trained in other duties but assigned to public relations for present duties.
- Would you care to volunteer any comment as to ways or means for improving the effectiveness of public relations activity either from the standpoint of managerial organization or technique?

## PUBLIC UTILITIES FORTNIGHTLY

in clearances with other company officials or combination of officials, including treasurers, comptrollers, company counsel, etc.

### Background of Public Relations Officials

**A**LTHOUGH the term "public relations" came into fairly common usage more than three decades ago, it has never been established as a professional career in its own right. There are no colleges which give degrees in public relations. There is no professional register, set up by the law, subject to examinations or other controls, as in the case of lawyers, accountants, engineers, and other professional specialists. But it must be admitted there has been some recent tendency towards some degree of specialized background. Beginning in 1947 with Boston University, about thirty universities are now teaching courses in public relations, as such. So the question was asked whether the particular company public relations official had any of the following backgrounds or combinations of backgrounds (the numbers in parentheses indicate the number of companies listing such backgrounds for their public relations officials):

Career employee or official originally trained in other duties (31).

Career employee or official specializing in public relations (20).

Former newspaper or writing experience (9).

Career employees specializing in public relations but trained in other duties as well (9).

Any combination of the foregoing (6).

It will be seen from the foregoing tallies of replies, not all who returned the questionnaire answered every question.

MAY 21, 1959

### Beware of Fragmentation

**A**NUMBER of the replies received stressed the danger of fragmentation if the responsibility for public relations is overemphasized at the expense of co-ordination between different departments. In other words, people who have worked with complaints for years have far more practical experience with how they should be handled, *including* the public relations aspects, than any "specialist," however well-trained in public relations approach. The same may be said of those in charge of meter reading, billing, installation, and so forth.

The problem here is to graft a better public relations outlook on the existing setup, where it may be lacking or deficient, rather than interpose some new setup just because it has a "public relations" label on it. Indeed, the intervention of such a new setup might even result in a slackening of the existing key personnel's interest, on the theory that the public relations part of the responsibility has now been shifted elsewhere.

Viewed in this light, the real organizational problem is, perhaps, the proper application of the utility company's need to communicate clearly in various situations involving different branches of the company's operations. A modern utility company serves so many "publics" that the most that centralized supervision of so-called "public relations" activities can reasonably expect to accomplish is a matter of co-ordination. There are, thus, so many kinds of "public relations" that no one expert could possibly cover the field, or even touch all the bases, in a very large company.

Among a number of very thoughtful, special letter replies, there was one

## Representative Description of Public Relations Practice

"WE take the general view that public relations is every employee's business and that no one employee or small group of employees can be designated that responsibility and have the job effectively carried out by their efforts alone. On the other hand, some segment of the organization must be given that general responsibility in order to determine overall policies and procedures in that field. We take a similar attitude on safety and employee relations. We prefer to handle advertising separately from public relations because the former is a specialized field by itself. As a part of our public relations activities, many of our employees are sponsored by the company for memberships in service clubs and other civic organizations. Our people also take an active part in United Fund drives, Red Cross, Scouting, and other organizations of that character. We try not to forget that one of the best means of obtaining good public relations is to supply good electric service at reasonable rates. In these days of rising costs and heavy taxes, it is difficult to keep this objective in mind without constant repetition."

Excerpt from a letter of West coast electric company vice president and general manager.



from a very large public utility company. Here is part of the text:

For many years we have considered public relations an important function of all our employees and not just a function for a small group or department specifically created to handle them. Accordingly, we do not have a public relations department in the usual sense nor do we use the term "public relations" which has had, at least in the past, some overtones with which we were not particularly happy. It is the considered policy of management to insist on good public relations throughout our employee group. For example, our Customer Accounting Department in connection with handling bills, meter readings, and collections has many useful and important contacts with the public and must present the company in the best possible light, frequently under trying circumstances. Similar conditions apply to meter readers and collectors.

The Customer Relations Department and the Telephone Service Division handle great volumes of telephone inquiries from our customers and a person living in [the area] may have no other contact with the company save through the cashier who receives bill payments or via our public service television shows. Our field forces of construction and operating groups working in the city streets have many direct contacts with the public. Their attitude towards their jobs must necessarily be reflected in the way they handle themselves in the field. The superintendents of our various power stations and the operators of our substations have a responsibility to the neighborhood where these facilities are located and take an active part in public relations.

### Everybody Ought to Get into the Act

SOMEWHAT along the line of the foregoing, were various letters repeating the theme that "public relations is every-

## PUBLIC UTILITIES FORTNIGHTLY

body's job." One electric company president said that his organization refused even to have a public relations director by that name, so as to avoid giving all employees the impression that they were not equally responsible.

Another company president expressed a somewhat similar idea, as follows:

It is true that we have a Director of Public Relations who handles a certain part of our p.r. problems—also legislative matters and our employee house organ. However, no one individual is entrusted with the balance of the program. I would estimate that some 100 of our people play a readily identifiable part in our public relations program. Many others play a small part.

Our Director of Public Relations reports (on the things specifically assigned to him) to me, but I would guess that I spend as much as 20 per cent of my own time on matters which I believe directly bear on public relations.

The whole trouble in trying to pin this subject down is that a wide range of activities which do not carry the specific handle of "public relations" have a great deal more to do with public relations than those so labeled.

**E**XPRESSING the same idea from a slightly different direction, a gas company warns of the danger of "too many chiefs and not enough Indians" where specific public relations responsibilities are over-emphasized or made too exclusive. "Let everybody get into the act—within reason; that is, within his own sphere of operation."

A West coast gas and electric company executive suggests, along this line, "a committee consisting of 'top-drawer' ex-

ecutives representing each major division (operating, sales, accounting) with power to make and act on decisions would be helpful; there are either too many or too few public relations 'experts' guiding company policy with very little co-ordination."

Likewise, here is a comment from a Middle West gas and electric company:

Have all responsible officials of the company participate. "Specialists" can only provide *means*. Policy makers must furnish the action.

### The Rising Importance of PR

**A**CTUALLY, there is no real conflict of philosophy between those who would want to keep the spirit of public relations diffused throughout the entire company organization and those who think this can best be done by centralizing the public relations authority, and increasing the importance and responsibility of the official in charge. These are all differences of method rather than goal, and such differences might well stem from a variety of reasons peculiar to a given company organization. A large city utility functioning in a densely populated metropolitan area is obviously going to need a different organization pattern than a far-flung system covering a big state or more than one state. That would be true of any other operating function — commercial, engineering, legal, etc. So it would be surprising if it were not true of the public relations setup.

Those who want to upgrade the importance of the public relations officer, as such, seem to be those mainly concerned with rate cases. This writer has on several occasions referred to the need for utility public relations officers to get on

## MODERN UTILITY PUBLIC RELATIONS ORGANIZATION PRACTICES



8

the job early and stay with it all through the rate case. So it was naturally interesting for him to find some of these same ideas percolating back over the signature of company officials, even to the point of citing materials he had previously written. Referring to a passage from a recent address,<sup>2</sup> a telephone company vice president wrote in a special letter:

I don't care what you call him by title or label, I do think he needs some authority. If the responsibility is delegated, as I think it should be, to a single recognized officer or director, reporting directly to the president of the company, he should have some say in

the setting up of the rate case team, in coaching that team, in arranging the timetable for various target dates, and seeing that other parties, witnesses, experts, and so forth, are co-ordinating and meeting their schedules. In all this, of course, he must work with the company lawyer or other official who has the responsibility for filing the application and presenting the case.

THE same official goes on to state that the public relations officer should be the "conscience not the apologist" of the company. He should not be called in at the last minute, after basic decisions have been made by others, and asked to do a "sugar-coating job."

A large eastern gas and electric company's reply states:

We are glad to see public relations departments growing in stature. It is our feeling that industry in general should give their public relations activities more prestige in relationship to other departments and at the same time encourage them to create effective techniques.

<sup>2</sup> Editor's note: One reference here was to a passage from a recent talk by the author on rate case preparation, comparing a rate case to a theatrical performance. "We all know that most of the work in staging a successful play takes place *before* the curtain goes up on the first public performance. Somebody had to write the play. Then the production had to be arranged. The director had to assemble a competent cast and train them in their performances. Unless all this has been done, and done well, before the curtain goes up, you are not likely to have a very good play. I think you can see the analogy in a rate case, especially if you compare the filing or announcement of the rate increase with the ringing up of the curtain on the first performance." From an address to the AGA Public Relations Workshop, Baltimore, Maryland, April 15, 1959.

## PUBLIC UTILITIES FORTNIGHTLY

Another from a midwestern electric company states:

Effective public relations comes only with responsibility, therefore it should be directed by an officer of a company.

A southern power company's public relations officer says: "The PR officer should get stronger backing from the president." A southwestern gas company officer points out that only by centralizing the public relations responsibility can attention be focused on new public relations goals which change from time to time. Still another reply refers to the need for "more specific goals and more specific plans for reaching those goals."

Finally, there is the practical suggestion from a middle western power company officer that public relations work, like everything else these days, costs money. It cannot be kissed off by tacking it on as an extra chore to be done on the side by those already well-saddled with other responsibilities. He says:

Public relations must be recognized as a technical job as well as a state of mind and should take a normal place in an organization with budgets, annual programs, etc.

### The Rôle of the Employee

It has long been recognized on all sides that the company employee must be a key figure in any public relations program. Some would make him the most important figure. Here are sample excerpts of this recurrent theme:

... we believe that one of the most effective public relations activity can be carried on by our own employees in their different contacts with the public. This, therefore, involves a rather com-

plete employee educational program which is rather difficult to carry on in a property scattered as is ours.

That this is effective has been proven twice during this past year in connection with municipal ownership elections. Both of these we won through the wholehearted co-operation of our employees. It was possible for them to assist in this because of educational programs which familiarized the employees involved with the correct information to give the public.

\* \* \* \*

Our pipeline operating organization is divided into pipeline divisions and compressor divisions. The division superintendents and their local organizations are charged with the responsibility of handling our public relations in the local communities and cities on or near our pipeline system. These men engage in local civic activities, belong to local Rotary Clubs, Lions Clubs, etc., make donations for local civic and charitable purposes, and generally try to become good citizens of the community in which they live and operate. It has been management's feeling that our most effective good-will ambassadors are our own employees.

\* \* \* \*

Tantamount to good public relations is good employee relations. The two cannot be disassociated.

\* \* \* \*

Encourage all employees but especially supervisory personnel to think of their work in PR terms.

\* \* \* \*

Public relations must be a function of every employee—it can only be su-

## MODERN UTILITY PUBLIC RELATIONS ORGANIZATION PRACTICES

pervised and guided by a Public Relations Department.

\* \* \* \*

Program must be geared to making every employee public relations-minded and not just the responsibility of a staff organization.

### Through a Looking Glass

**A**NOTHER theme recurring through the utility company replies was the importance of constant review and check on public relations aspects. "I would wish that all of our employees," said a telephone company president, "would consider how his actions, his appearance—everything—looks to others, just as often as he looks in the mirror to check his personal appearance."

A repetition of this "looking glass" approach to public relations may be found in the following excerpts:

Our company is small, so our public relations activities differ somewhat from others. We review our public and customers relations almost daily in some form, but each week we have a staff conference which includes department heads so our policies may differ with conditions as we discuss such problems.

\* \* \* \*

Various phases of our public relations are handled by the officer most closely related to the particular function. They are co-ordinated by the Management Council which meets weekly to discuss all company problems.

\* \* \* \*

Continuous emphasis on importance of public relations, with top management setting the pace.

\* \* \* \*

The effective public relations program is dependent on clear communication channels between its operating head and top management—and it must be continually upgraded by application of field proven techniques.

\* \* \* \*

All employees should be trained in it as a "way of life."

### Miscellaneous Comment

**W**HAT is the most important factor in maintaining good public relations? No one answer was suggested. Well-trained and well-informed employees, already suggested, are indispensable in any effective program, but they cannot do the whole job. Reasonable rates are probably important, but only two of the 124 responses touched upon them as a factor.

"Service is the most important product of a utility business," says one New England gas company officer. "Clever advertisements or fancy labels never sold a phony product—not for long, anyhow."

Similarly, a Mountain states power company president suggests that good public relations must be the end product of good company policies. We cannot expect much results from any public relations techniques in themselves, "unless there is good policy and background material to work with in the first place."

Along the same line, these two brief comments:

Continued emphasis to employee organization that all activities of a public utility have a definite relationship to the company's reputation and standing in the communities it serves. Good service is a prerequisite of good utility public relations and active participation in all

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worth-while community endeavors enhances the good will a utility enjoys.

\* \* \* \*

Quality control of customer service is basic in any public relations program.

**B**ut a Middle Atlantic states power company president reminds us that "Good public relations in the final analysis is the company chief executive's responsibility. He cannot get away from it either by delegating it to a 'vice president in charge' or by saying that it is everybody else's job. He is the one who has the authority and therefore the job of seeing that the program *works*, regardless of what means are used at lower levels."

There were some amusing comments along with the serious ones. Under the question about the company's public relations officer, this plaintive note appeared: "We are looking for one now. Can you suggest anybody?"

Another said, "Please tell your readers to keep their PR people out of sales and merchandising, and vice versa. The things I could tell you—but won't!"

**T**o end these commentaries on a serious note, here is an excellent piece of advice from an electric company executive vice president which so impressed this writer that he was moved to appropriate it, almost verbatim, in a recent talk to an industry public relations workshop:

The public relations specialist who is worthy of that name, and I think it should be a worthy name indeed, has a *special* responsibility of his own. He has a special part to play in looking out for all the others. That is the job of making everything perfectly clear and understood. All of our learned

professions have a tendency to fall in love with their own specialized terminology. The lawyers do it. The engineers do it. The accountants do it. But there is one officer of the company who must *not* do it. More than that, he must look out for all the others . . . to see that the position of the company does not suffer by the obscure word, the esoteric gobbledygook to which very learned people, in other lines, sometimes retreat to cover up the lack of real intellectual content in what they have to say.

**T**HERE is another special contribution which the public relations man can and should make in the rate case, both with respect to company statements and publicity. And that is to show that the company, in all that it is doing or is trying to do, *has the real interest of the consumer at heart*. This is what is called, in public relations circles, "identifying with the consumer interest." If that expression sounds a little highbrow there is, nevertheless, a lot to be said for the general idea. Putting the utility's interest into the same dollars-and-cents bracket with the consumer's interest can be a very effective approach.

What this all boils down to, is that the company and consumer must both eat out of the same pot. It is the consumer's dollar which keeps both of them going. The company has no other magic source of revenue.

### Conclusion

**I**T would be presumptuous in the face of such diversity of practice and opinion, both as to means and organizational techniques, to venture any ponderous

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conclusions. There are some broad patterns discernible. But there are no hard-and-fast rules, and few working principles. Certainly there is nothing in all this interesting source material from which to build a "model PR organization," and say "this is the ideal setup; this is how it should be done."

As a specialized vocation, public relations is a baby compared with other professions and callings. It has neither recognized standards of eligibility nor generally accepted guideposts. It is far too inexact to be a science; too supplemental in its relations to other disciplines to be called an art. Yet it is safe to say that no calling, no profession, has a greater degree of responsibility for the effective performance of the enterprise system than those in charge of maintaining its good public relations, regardless of what the title is or how the job is organized. That is true on a dollars-and-cents basis. It is true from the standpoint of the overall security of our enterprise system as compared with rival economic systems. And all this is particularly true of public utility enterprise. That this truth is becoming more and more self-evident is seen in the almost universal recognition given in recent years by responsible company officials to the increasing importance of the public relations job.

THAT public relations work had to be started in the beginning "by ear" as a form of intuitive improvisation, does not detract one bit from its growing stature. On the contrary, that very trial-and-error stage of hectic pioneering only underlined the need—the vital need—for the modern utility companies to be better understood.

"If God did not exist," Voltaire said, "it would be necessary to invent Him." Meaning no irreverence, the same might be said of public relations as a systematic adjunct of modern business operation. Public relations is still being "invented," and at an increasing pace.

FURTHER it must be said that those who practice public relations as a specialty have come a long way from the hit-or-miss, hope-for-the-best days when billions of dollars worth of investment were constantly at the mercy of the rude receptionist, of the smart aleck office boy, of a sudden, confused, if not bemused, public statement or misstatement of a company's position.

The day will come, and those who read these lines will see it, when public relations technique will win a much higher degree of uniform practice and acceptance. It takes time, practice, inspiration, and patience. All of the national associations, the Edison Electric Institute, the American Gas Association, the Bell system, and the United States Independent Telephone Association, are giving an increasing amount of their managerial time and attention to this essential phase of modern business, which one responding official summed up quite succinctly as simply "good manners." Year by year the PR titles grow in number and importance, and so do the budgets for this important work.

Public relations may still be the "maid of all work" around the corporation household. But if she succeeds in keeping the place neat and tidy, and making it more and more attractive, she will get her just reward from the grateful owners.

# Laymen as Regulatory Commissioners

## PART II

How much of a liability is lack of special training on the part of a nonprofessional layman to perform a function of regulative responsibility? Does he make a good administrator? Can "expertise" be overdone? Or should it be controlled by nonexperts?

By LINCOLN SMITH\*



THE first instalment to this article which appeared in the previous issue of the FORTNIGHTLY, cited figures twenty-five years apart which indicated a growing trend to enlist laymen as commissioners on state public service agencies. In some states this has become very important. Despite the impossibility of stating explicitly what constitutes a "layman," a core of qualities was selected. The term is not supposed to be a catchall one, though in popular usage it may range from party hangers-on and lame ducks<sup>1</sup> up to statesmen. When appraisers find difficulty in categorizing a commissioner in a particular vocation, the temptation is to call him a layman. Thus, wide extremes must be recognized before proceeding.

Some note has also been made of the leading contributions laymen-commissioners are said to make. These men, who are

not specialists, presumably give general direction, political and humanitarian, to commissions. Although few know a great deal about the substance of regulation when they assume their positions, this is said to be advantageous, inasmuch as they can rely on permanent staff and technical assistance for details. Unlike the expert commissioner who may interfere with staff work, laymen have a proclivity to make more proper use of subordinate aid. In the sense that commissions should reflect public interest, laymen are the best available representatives of the public.

NOW let us take up the alleged disadvantages of laymen-commissioners. Attention will be centered on the controversy surrounding expert commissioners in contradistinction to "generalists." We shall examine the claimed merits of expert regulators. Finally, some comparisons and contrasts between laymen and expert commissioners will be considered.

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## LAYMEN AS REGULATORY COMMISSIONERS

The case against laymen as commissioners is based mainly on the contention that they do not conform to laudatory expectations. They are not statesmen. They are not usually acute or sagacious men. A few have been reported in the past to have operated, officially, almost in a vacuum, placing additional burdens and responsibilities on better-qualified colleagues and staff. Some have muddled through, thanks to efforts of fellow commissioners and anonymous but sympathetic staff members. Mediocrity and superficiality result in some spots.<sup>2</sup> So runs the argument.

### Deficiencies of Laymen

A WEAKNESS of the layman is that he may lack a trained and disciplined mind. Whereas lawyers and members of other professions have undergone intensive study for development of powers of concentration and analysis, laymen, even many businessmen, have presumably amassed factual information and have gleaned a great deal from practical experience. But is this enough as an offset or substitute for more carefully marshaled processes of thought? A superficial or vague understanding may lead a commissioner to think he comprehends a regulatory situation when he does not. There is, furthermore, a difference between knowledge and problem-solving ability. There may be blind spots in the mental picture which result in fancied intuition, arbitrariness, or flippancy. Substantive bridges may be supplied by men of conviction who may operate behind the scenes. Staunch character undoubtedly compensates, but peril may lurk even here. Professor Jaffe's warning of a likely consequence of mediocre bureaucracy is recalled:

But there is the . . . greater danger that the second-rate, insecure personality . . . will become uncomfortable at having to exercise authority and will anxiously seek to placate as many interests as possible. This fear to offend, complaisance, and readiness to listen and be "fair" and "reasonable" clog the muscles of the will, and what begins in amiability can end in corruption. . . .<sup>3</sup>

Another liability is that untrained minds may exercise will instead of judgment. Specious reasoning can go through logical motions but still arrive at preconceived conclusions.

AN untrained mind is likely to wander away from main issues which are cloudy or complex and give greater importance to tangential matters within its comprehension. Such a personality may prefer to deal in platitudes, slogans, stereotypes, and catchwords. Symbols may become more important than substance. If he has a quick mind, he is prone to oversimplify, resort to snap judgments or even sophistry.

Hasty decisions are frequently necessary in business, but not on a regulatory tribunal, operating in a quasi-judicial atmosphere. A positive yet cautious approach enshrouded with judicious temperament may be difficult for the undisciplined mind. There is still another hazard, the temporary conservatism of the novice. When a layman has learned some elements in a new area, he feels secure when he uses them. But this tends to bind him to the past, or to that limited area with which he is familiar. He hesitates to explore new and untried paths. His early education on a commission is partly in-

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doctrination by colleagues or staff members, who thus exert strong influence on the agency for years to come.

### Laymen as Administrators

**T**HERE is another way of looking at the argument that laymen-commissioners will deal with the staff more properly than others. Professor Troxel has condemned laymen for this very reason. He wrote:

A common-man commissioner can hire experts, of course, to gather facts and to give him advice. Yet such a man does not always hire or even want to hire expert assistants. If a commissioner does not know what expertness in regulation is, how can he acquire expert staff members? He must know his accounting problems and something of accountancy before he can choose expert accountants; he must think carefully about his problems before he realizes that, in place of legal advice, he frequently needs economic analysis. Another consideration restricts this man's employment of experts: He is likely to be suspicious, as common men often are, of the objective reasoning and quick answers of the intellectuals. It is not quite safe, he thinks, to be guided by

the impersonal reasoning of experts. Unlike the professional accountant or economist, the common-man regulator is distrustful of innovations and experiments—proposals that studious men can readily conceive and can express in a strange language. This man feels safest when he follows established regulatory customs. . . .<sup>4</sup>

**S**INCE the untrained commissioner is not cognizant of the various phases of staff endeavors, he will have to leave the staff alone. He is not likely to discover, let alone correct, staff errors. There is little alternative but to accept staff rulings and decisions as immutable. Thus civil servants, who supposedly are outside the political realm of decision making, inject their views into areas which legally are denied them. Career staff members of exceptional zeal and ability are prompt to realize when their superiors are unsure of themselves and are groping for direction and sustenance. So staff members may "run" a commissioner, instead of the reverse.

Staff experts may thus be led to consider themselves as the men who really determine policy. To them commissioners may be considered temporary occupants, at first unfamiliar with their tasks. This indictment is perhaps one of the most seri-



**Q** "AN ace argument for the expert is that he possesses nearly all qualifications of the layman, plus two more said to be almost unique among professional men—trained minds with acquired powers of analysis, and familiarity with at least one of the special areas of regulation. Objectivity should be a product of a professionally trained mind. Furthermore, a specialist is more likely to be conscious of his limitations in certain areas. Hence he is on guard and will watch for methods to compensate on matters where he lacks special qualifications. Since the expert is well-versed in a segment of the work, he contributes talents, both specific and general, rather than techniques, to his public responsibilities."

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ous in the concept of regulatory administration today. All types of commissioners may be vulnerable to it at times. A permanent employee who briefs an outstanding commissioner on one aspect of regulation is in a focal spot for contributing to policy at the apex. When commissioners are new on their jobs, staff influence is greatest. However, few, if any, charges that this commissioner or that commission is "in the hands of the staff" can be proved in the long run.

**T**HE analogy already related between an amateur regulator and a swimming coach unable to swim may not go far enough. The coach probably will get by, especially if he has luck and good material. Often he must operate through educated guesses or reflective hunches. But, of course, he will make a better coach if he can swim, because he knows the learning process. He has experienced the sensations. He knows the limitations involved. He can teach through example. He can act in emergencies. Likewise, the commissioner who has learned the substance of his field cognately can better supervise and direct assistants, because he is familiar with the language and basic precepts. Often he can make models for direction. If necessary, he can pitch in and help with the work himself. Interaction between superior and subordinate, both ways, creates benefits of mutual acceptance and co-operation. Guesswork and conjecture are at a minimum.

Another argument is that laymen-commissioners deserve appointment because they will represent public interest. This is refuted by a fundamental tenet of the regulatory process. There is no place on an agency for a man who wants to prefer

any interest or class. There is no place for one who would strangle rather than regulate corporations. A commissioner who acts as protagonist for any one interest in the regulatory trichotomy among private industry, government, and the public deserves to be disqualified for that very reason. The rights and corresponding obligations of all these interests are very real, and they must be reconciled by legislative authority and regulatory discretion under the law.

A conclusion is offered that laymen with a combination of some of the qualities previously outlined ought to make good commissioners. Some do not simply because their qualifications do not conform to many of the elementary standards prescribed. The failure of these few, however, does not reflect against the layman-commissioner; rather it indicates inherent weaknesses in political leaders responsible for individual choices. Commissioners are inferior when selected on bases other than ability. It is always a matter of making correct appointments.

### What about Experts?

**A** FULL commission of laity is a rarity. Constituted political authority strives for a combination of talents. The question naturally arises whether the ideal commissioner should be an expert or not. This question has some application to the consideration of staff members being elevated to top posts—as commission members—inasmuch as they are experts in phases of regulation.

It has been said that career regulators become involved emotionally. Their opinions and the reasons behind them may represent, in large part, rationalizations for long-accepted views and theories.



### Staff May "Run" Layman Commissioner

"SINCE the untrained commissioner is not cognizant of the various phases of staff endeavors, he will have to leave the staff alone. He is not likely to discover, let alone correct, staff errors. There is little alternative but to accept staff rulings and decisions as immutable. Thus civil servants, who supposedly are outside the political realm of decision making, inject their views into areas which legally are denied them. Career staff members of exceptional zeal and ability are prompt to realize when their superiors are unsure of themselves and are groping for direction and sustenance. So staff members may 'run' a commissioner, instead of the reverse."



These views of veteran staff members are very influential. But they may at times become tainted with professional self-importance, with a bureaucratic drive for power and influence. Quite understandingly and with propriety, many staff incumbents will not express views for publication. They might be guilty of insubordination. Others are sincere in their preference for tenure below the level of political uncertainties. But others are just as honest in their considered opinions that outstanding staff assistants deserve promotion to commissionerships.<sup>5</sup> Governors who nominate and political leaders responsible for confirmation of appointments

generally remain noncommittal on this. It is good politics. Former governors and Senators are more inclined to talk about it. But usually they tend to justify their choices.

MORE objective observers of regulation, those who look at it from the outside without any personal involvement, see merit in both expert and career appointments. The experts are, of course, vulnerable to professional prejudice and personal predilections. Yet their conclusions are not arbitrary if they are products of insight, observation, long study, and true scholarship.

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### Some Cogent Reasons for Expert Commissioners

THE reasons for urging appointment of expert commissioners are many. They are given high recognition in the national government.<sup>6</sup> Several states also recognize such qualifications in their statutory requirements. But the established pattern of some commissions tends to keep specialists relegated to staff status. Hence, relatively little has been written on behalf of professional men as top regulators.

An ace argument for the expert is that he possesses nearly all qualifications of the layman, plus two more said to be almost unique among professional men—trained minds with acquired powers of analysis, and familiarity with at least one of the special areas of regulation. Objectivity should be a product of a professionally trained mind. Furthermore, a specialist is more likely to be conscious of his limitations in certain areas. Hence he is on guard and will watch for methods to compensate on matters where he lacks special qualifications.

Since the expert is well-versed in a segment of the work, he contributes talents, both specific and general, rather than techniques, to his public responsibilities. With an entering wedge of some intimacy, a commissioner gradually can extend his competence into new areas. The learning process is both quicker and sounder when one can proceed from the known to the unknown. The expert's "staying qualities" should be good. Within a short time three or five men with different professional backgrounds can attain a working knowledge of the whole setup, especially if they develop teamwork mutually and with their staff.

### Expert Must Avoid Overspecialization

THERE is nothing wrong with expertise as long as its function is kept within sight of the overall regulatory responsibility.

This concept has been well stated by Laurence Stapleton:

Specialization by itself is not harmful; it is an instrument by which we isolate the part in order to perceive it more accurately and thus to get a truer bearing on its relation to other events. Wholehearted concentration on one problem often gives a better picture of a wider scene. . . . The evil of specialization lies not in concentration, but in the tendency to replace the substance of an inquiry by the mere application of a technique.<sup>7</sup>

The layman, by contrast, has no specific frame of reference when he steps into a commissionership. He is superimposed on a going concern, most of the language of which is strange to him. Probably he will get by, especially if he is willing to be carried along with the momentum of the agency. But this type of commissioner may not rise far above the average. There is little anticipation that he will contribute much to the affirmative force and drive of regulatory administration.

Regulation is replete with expertise from the inception of the statute by a few legislators who championed its enactment. The work is then carried on through the commission with specialized knowledge which most of the legislators lack. It even progresses up to judicial review by judges who also are experts. All commission decisions are legal matters which must be within the law.

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A SOUND plea for higher qualifications of state commissioners has been made by Professor Troxel, who suggests either more stringent statutory qualifications or recommendations to the governor by a nominating board which will suggest the appointment of commissioners better qualified than the average voter. He did not limit endorsement to professional men. He wrote:

Knowledge of the dimensions and devices of utility regulation must be the prime, even the sole requisite of a commissionership. State utility regulation must become a career—a technical rather than a political one—as it has been at times for commissioners in Massachusetts, New York, Wisconsin, and California. Looking toward this end, the state legislatures can rewrite the qualifications of commissioners, giving much weight to knowledge of regulatory practices and purposes. . . .<sup>8</sup>

A particular reason often exists for having one or more commissioners who are specialists in some of the small and sparsely populated states where little money is available for staff work. Expert regulators are chosen frequently in order to save money. On many occasions the engineer or lawyer-commissioner has performed staff functions as well.

### Limitations of Experts

THE brief against expert commissioners starts with the postulate that professional expertise is uncommonly narrow when geared to the special requirements imposed upon a regulatory tribunal. The presence of experts on top may promote a fragmentation and professionalism at the apex of regulation, and invite isolated conclusions. Professor Bernstein has observed that "the contribution of experts to the process of policy formation is severely limited"<sup>9</sup> when they have great discretion over complex problems. He continued:

Experts tend to be influenced heavily by the precedents built up through the exercise of professional judgment and, therefore, to be less sensitive to subtle changes in the context and nature of regulatory problems. . . . His expertness does not make available any special competence to exercise the discretion required for the formulation of regulatory policies.<sup>10</sup>

In the same vein of thought a renowned English writer has claimed that there is no expert character about the conclusions of an expert when he moves outside his field:

On the contrary, the evidence is



"THERE are, then, advantages and disadvantages in choosing either laymen or experts for commissioners, because regulatory control is not the prerogative of any one profession, but rather an administrative task which transcends professional and vocational lines. The keynote is wise individual choices. The question of expert knowledge at the top is still a moot one, depending somewhat on personal inclinations of particular commissioners. The same is true for alert laymen, although temperamental qualities probably weigh more heavily. Maybe a commissioner becomes outstanding when he possesses both the qualities of layman and expert . . ."

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rather than the very narrowness of his experience tends to limit his power to make significantly those broad judgments which statesmanship requires. He cannot easily see beyond the narrow boundaries of the special field he has cultivated because expertise is a function of intensity, and not breadth of vision. . . .<sup>11</sup>

**T**HE specialist, who may be almost insensitive to public opinion, may be weak in proportional values.<sup>12</sup> His narrowness not only may be detrimental to the record of the commission on which he serves but also faulty where he lacks the vision to recognize the relationship between his agency and other commissions whose functions coalesce even if they do not overlap.<sup>13</sup> His facilities of co-ordination of overall regulation beyond those of one commission may be defective. When it comes to interpretation of public welfare in the light of legislative directives, the expert, as well as any other kind of commissioner, may act according to his own individual predilections.

Dr. Herring points up the problem here as follows:

It is the task of the commissioners to read some meaning into the general mandate that they hold from Congress. Whatever competence as experts they may possess is of little more than incidental significance in determining policy. *Expertise* can apply only to scientific problems and, while it ensures a grasp of technical limitations and possibilities, it does not contribute to a positive elucidation of the public welfare. Here even the expert must rely upon his fallible judgment and his integrity.<sup>14</sup>

**M**ANY of the so-called experts leave much to be desired when they go on a commission, because the average lawyer, engineer, and accountant may know very little in advance about his profession in relation to the demands of a commission. Not many generally practicing attorneys, for example, know much about administrative law, and less about utility law. Certain types of engineers, ranging scientifically from "landscape" engineer upwards, have backgrounds quite foreign to those of public regulation. The same principle holds for many accountants and businessmen. When these men accept commissionerships they may be as uninformed and untrained as nonprofessionals.

Another complaint against expert commissioners has to do with the professional temptation to substitute their own conclusions for those of staff members in the area of their specialization. When top experts meddle in staff work, secondary officials are helpless. Improper integration between commissioners and their aides is a common cause of friction, frustration, suspicion, and poor morale.<sup>15</sup>

### Laymen or Experts?

**T**HERE are, then, advantages and disadvantages in choosing either laymen or experts for commissioners, because regulatory control is not the prerogative of any one profession, but rather an administrative task which transcends professional and vocational lines.<sup>16</sup> The keynote is wise individual choices.

The question of expert knowledge at the top is still a moot one, depending somewhat on personal inclinations of particular commissioners. The same is true for alert laymen, although temperamental qualities probably weigh more heavily.

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Maybe a commissioner becomes outstanding when he possesses *both* the qualities of layman and expert, if that is not a contradiction of terms. It is not merely chance that some prominent people do. Although without reference to commissions, a fairly convincing argument has been offered for the business vocation as a peculiarly valuable asset in this very connection. It is significant here inasmuch as business training is an attribute common to many laymen and specialists as well. On this point, it has been well said:

As an executive, the businessman is a "specialist in generality" who must always see the "whole picture." Specialists and experts are, on the other hand, narrow. They are apt to take positions and advocate decisions which have good justification within their own fields of competence but fail to take into account other considerations which are often decisive. The executive has good reason to identify his comprehensive view of the many elements in a situation with practicality, and the narrowness of specialists' views with impracticality. . . .<sup>17</sup>

### Too Many Laymen?

ONE organization difficulty ought to be mentioned if a tribunal is constituted primarily of laymen. Domination of a national or state agency by laymen could mean the presence of two sets of "amateurs" (drawing pay, of course) in the top

two echelons of policy decision making. Congress and state legislatures as a whole, which first determine political policy on regulation, are composed of leaders with generalized competencies, despite occasional guidance at the committee stage of enactment by men with some specific familiarity with the problems. For this very reason, mainly, the commissions have been created in order to provide intimate knowledge which legislators, with their wider responsibilities, lack. If a trio of laymen-commissioners monopolize the tier of administrative policy making, expertise is consigned to third place. If it becomes necessary for a legislative body to call in experts to advise on revision of the statute, it must deal with subordinate staff specialists. Thus, the administrative policy-making level is bypassed; the whole span of control is in a state of flux.

THE case for the "generalist"-commissioner might well be limited to one or two men who will *blend* their contributions with colleagues disciplined in the professions, and who will work together as a team.

The writer submits, as the basis of his brief for the layman-commissioner, that his influence will help to direct the destinies of an independent regulatory agency by counteracting or helping to neutralize some effects of the era of overspecialization currently prevalent in American education.



### Footnotes

<sup>1</sup> Political defeat, of itself, does not militate against outstanding service subsequently in a commissionership. The writer is familiar with a number of cases, national and state, wherein respected men continued their public service records on commissions after losing elective office.

<sup>2</sup> Analyses hostile to laymen and those which follow in opposition to the use of experts have been made carefully in an endeavor to present a standard line of reasoning to which authorities resort. They do not necessarily represent the opinions of the author. No consensus of views is implied. Probably

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no single commissioner fits the composite generalization. These paragraphs are intended to be provocative rather than definitive or dogmatic.

<sup>3</sup>"The Scandal in TV Licensing," by Louis L. Jaffe. *Harper's Magazine*, September, 1957, p. 77.

<sup>4</sup>"*Economics of Public Utilities*," by Emery Troxel (New York, 1947), p. 81. Some allowance should be made for a probability that the staff assistants were hired and had tenure before numerous commissioners were selected. Nearly all commissioners now find staff members already hired. On the better commissions, personnel directors are responsible for recruiting staff members through competitive examinations. The professor's point is well taken, however, especially when applied to agencies in many of the smaller states.

<sup>5</sup>A United States Senator has been quoted, in effect, that he considers it only human for a staff member to favor his own personal elevation from a subordinate to an independent position. "*The Comptroller General*," by Harvey C. Mansfield (New Haven, 1939), p. 68n.

<sup>6</sup>One authority has asserted in a generalization of broad applicability that congressional committees tend to support the specialist against the general executive. "*Government and Science. Their Dynamic Relation in American Democracy*," by Don K. Price. Stokes Foundation, New York University (New York, 1954), p. 158.

<sup>7</sup>"*The Design of Democracy*," by Laurence Stapleton (New York, 1949), p. 225.

<sup>8</sup>Troxel, *op. cit.*, p. 82.

<sup>9</sup>"*Regulating Business by Independent Commission*," by Marver H. Bernstein (Princeton, 1955), p. 114.

<sup>10</sup>*Ibid.*

<sup>11</sup>"*Democracy in Crisis*," by Harold J. Laski (Chapel Hill, 1933), p. 173.

<sup>12</sup>"The formulation of policy and the administration of public affairs require a sense of proportion which the expert all too often lacks. Experts who are preoccupied in their specialism have an

'intensity of experience' which destroys their sense of proportion." Bernstein, *op. cit.*, p. 122.

<sup>13</sup>"Experts tend to develop a myopia in interpreting the public welfare. The lack of effective co-ordination of regulatory and national economic policies strengthens the parochial influence of expertness within each commission." *Ibid.*, p. 117.

<sup>14</sup>"*Public Administration and the Public Interest*," by E. Pendleton Herring (New York, 1936), p. 166.

<sup>15</sup>Space limitation relegates the final point to a short note. The use of experts in making decisions usually necessitates deep and complex stratification of an administrative hierarchy. Many state agencies operate on too limited a scale to adopt such a practice. When each expert decides conclusively for his subdivision, somewhere in the process somebody must piece together the individual decisions and merge them into a whole. Here, however, the whole is equal to more than the sum of its component parts. Some group is responsible for the net product of each verdict of the specialists. The organizational setup has been well described: "... to gain the advantages of expertise in decision making, the responsibility for decisions is allocated, so far as possible, in such a way that decisions requiring particular knowledge or skill will rest with individuals possessing that knowledge or skill. This involves a subdivision of the decisions governing the organization into numerous component decisions, and a restriction of the activities of each member of the organization to a very few of these components." "*Administrative Behavior*," by Herbert A. Simon (second edition, New York, 1957), p. 137.

<sup>16</sup>On the national level Professor Herring has quoted two federal practitioners on behalf of laymen-commissioners. See "*Federal Commissioners*," by E. Pendleton Herring (Cambridge, 1936), pp. 91, 92.

<sup>17</sup>"*The American Business Creed*," by Francis X. Sutton, Seymour E. Harris, Carl Kaysen, and James Tobin (Cambridge, 1956), p. 352.

"WE are grateful, as a taxpayer, to the Tax Foundation for some recent figures showing us where our money goes. But we're gloomy, too, because we see that even when Uncle Sam tries to save some money, which isn't often, he's swimming upstream on a downstream flood. . . .

"But we're grateful, with no maybes about it, to the Tax Foundation for some other figures that are one explanation for all the big spending. When the income tax went into effect in 1913, these tax experts remind us, the first year's collection amounted to \$28 million. Those who favored the law said this particular tax burden wouldn't ever amount to much more and that the expenditures would be held down to necessities, in any case.

"But the 'necessities' list has grown vastly, and the estimated income tax take for 1958 amounts to \$35 billion paid by about 60 million taxpayers.

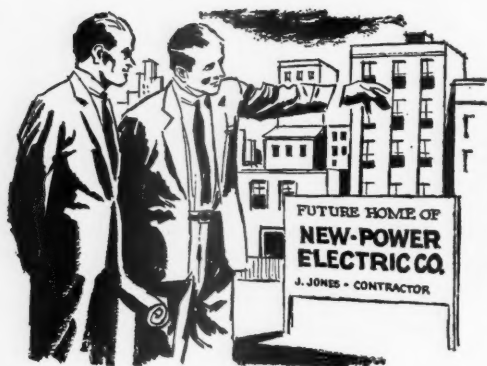
"It's a gloomy fact that the more the government gets the more the government spends and the more it spends the more it has to get."

—EDITORIAL STATEMENT;  
The Wall Street Journal.

# New Problems

## *Facing Utility Management*

By ALFRED M. COOPER\*



Modern business is many-faceted, swift-paced, and singularly strenuous for today's utility executive. Government, politics, education, civic duties, public and employee relations—all take an exacting toll of his energies. To preclude serious physical consequences, it might be wise to delegate some of this administrative burden.

THE utility executive of today finds that his job has become increasingly intricate and arduous, due largely to factors stemming from rapid changes in national and world-wide political and economic situations. The competent utility executive of twenty-five years ago might well have been wholly bewildered if suddenly confronted with the very complex duties that today's administrators must accept as a matter of course.

Since World War II, America has perforce assumed a leadership rôle in world affairs, and her industrial leadership also has become world-wide in scope. The utility executive of yesterday might well confine the activities of a lifetime to one company, and to one community. The interests of today's executive, and those of utility management, are of necessity global; what happens this week in London, Berlin, or

Rome, may determine his actions as much as anything which occurs in Pittsburgh, Chicago, or Los Angeles.

This situation has broadened his thinking to cover conditions as he finds them existing throughout the world, and may necessitate that he travel extensively. At the same time, the modern executive continues to be faced with the identical domestic obligations familiar to his stay-at-home predecessor. The young son of one much-traveled executive who asked seriously, "Papa, just where do you live?" was not trying to be funny.

As an outgrowth of broadened economic and sociological horizons, today's utility executive appreciates that he now carries very real economic and sociological responsibilities undreamed of by the executive of a quarter-century back. That is, he now often becomes, in the fullest sense, a salesman for the American way of life

\*Free-lance writer and author, resident in Indio, California. For additional personal note, see "Pages with the Editors."

## NEW PROBLEMS FACING UTILITY MANAGEMENT

to people (perhaps employees or customers of some foreign unit of his organization) who have never before known what it was to be treated as free citizens.

He knows he cannot sell the theory of free enterprise to any people by lecturing to them; nevertheless, he has a responsibility to instill something of his own ideology in these matters by example and by his methods of dealing with them, either as an engineering executive or as a plant executive.

In carrying out assignments in foreign lands, the American utility expert may find it necessary to surmount unbelievable obstacles. American know-how can build a great oil refinery in Venezuela, on an arid coast where no fresh water is available, yet where plenty of fresh water *must be made available*. We simply develop machines capable of converting millions of gallons of salt sea water into potable fresh water. Our engineers build great power plants in what was once a jungle. But more important, perhaps, than technological achievements, the natives employed in any such plant, operating under high American standards of working conditions, soon learn to admire and emulate our way of getting things done under free enterprise.

### Change Creates Problems

**B**ESIDES being at times unheralded and unaccredited ambassadors of good will abroad, American utility executives are faced with brand-new problems within their own companies at home. These again are a product of changing times, and some of these innovations the head man may privately consider to be good, some not so good. Nevertheless, he must have the ability to analyze rapidly scores

of suggested innovations and decide, with reasonable certainty, whether or not there is something worth while in any or all of them. At times he may find it advisable to go along with governmental economic plans he feels to be unsound, appreciating that before long these, in all likelihood, will have to be scrapped or amended.

The growing interest in the utilization of atomic power for industrial purposes has posed tremendous problems for the utility engineer and administrator, since it has been obvious from the outset that electric generation would be the first non-military application of nuclear energy.

Private utility management has demonstrated commendable leadership in this field, and this is a splendid thing, since the record proves that powerful influence will be brought to bear to reserve the major share of such low-cost source of power for the publicly owned utilities.

In the years ahead this trend may well become increasingly evident. And in the final analysis the future of utility ownership may hinge on the issue of public or private control of nuclear energy for peaceful purposes, and the degree to which the private utility engineer has clearly demonstrated his superior ability to make such energy serve the public need at lowest cost.

### Good "Communications" Are Vital

**A**NOTHER problem facing the modern utility executive in his home company and one that has been getting increasing attention from students of industrial plant administration everywhere, is the problem which has, for want of a better name, been termed "communication." This refers, of course, to that line of communication which must be forever kept

## PUBLIC UTILITIES FORTNIGHTLY

open between management and workers in any organization, and which runs, with equal facility, both *up* and *down*. Management insists that such channels be established, *but without anyone being short-circuited*.

Twenty-five years ago, if management wanted to "communicate" with its work force, a notice might be pinned up on the bulletin board—and that was that. If the worker wished to "communicate" with his management, the best he could approximate was to say something to his immediate supervisor—and quite often that also was that. The lines of communication were then not very effective in either direction, up or down, but they were especially ineffective upward.

The question here is not how "democratic" or accessible is the head man of any organization, nor how approachable is any member of the management group. It is more likely to resolve into a question of specific *methods* that have been worked out by members of management to insure free and unrestricted interchange of ideas between management and worker, and worker and management.

TODAY'S utility executive appreciates that he cannot properly handle his job unless he knows pretty well what the workers under his direction *are thinking about*—and on a wide variety of subjects. The difficulty that has arisen here is often one of method of attempting such two-way communication. Those who conceive of "communication" to include solely notices tacked on bulletin boards, speeches made to quiescent employee audiences at mass meetings, handouts of mimeographed information, or, on occasion, information given employees at a meeting on accident

prevention, may well be concerned with the dammed-up channels of communication existing within that organization.

The above methods of getting over specific ideas to the entire work force never have proved very effective. Neither can a suggestion box, in itself, act to get employee thinking, on a score of vital subjects, to management in time to avert trouble. (Union grievance representatives are, of course, not under managerial control, and we are here considering those communication channels set up by management.)

### Value of Conferences

THERE is one reliable, tested method of opening direct channels of communication between management and every worker. The various types of employee conferences conducted by the immediate supervisor of these employees—conferences variously designed to improve utility public relations, sales volume, or accident prevention records—establish the *basis* for a perfect two-way communication channel between management and the employee.

That is, when employees have become accustomed to sitting in conferences conducted by their supervisor (the man to whom they naturally look for on-the-job instruction), they are minded to accept as a matter-of-course affair *any conference called to discuss any subject, so long as that supervisor leads it, so long as its purport has not been disguised, and so long as no effort is made by anyone to force them to accept any conclusion other than the one they themselves reach after discussion*.

Supervisors who are properly trained as impartial conference leaders almost

## NEW PROBLEMS FACING UTILITY MANAGEMENT

never commit any of the aforementioned errors. Employees attending these conferences have sufficient confidence, *based on past experience*, that their supervisor will be very careful to present for discussion *all* the pertinent facts, and nothing but these facts.

Since, in every training conference these employees have previously attended, this has been the formula carefully followed, they will have no reason to suspect either management or their immediate supervisor of attempting to mislead them. This is why, in any discussion of methods of training through supervisor-led conferences, it should be emphasized that every bit of the information presented must be carefully and wholly accurate.

### Reaching Every Employee

**O**BVIOUSLY, such supervisor-led conferences afford utility management *the perfect method of communication to and from every employee in the organization.*

And since the supervisor is truly the key man in any communication system between management and the worker, the leaders of these meetings are in a perfect position to interpret *direct to management* the uncoerced consensus of the employees, as determined in free, open discussion. Equally well, they can convey to the employees for discussion *certain problems that are of grave concern to management.* What better or more direct method of two-way communication between management and the employee could be desired?

Of course the original setting up of such a program—for safety training, public relations training, or whatever—calls

for a lot of planning and hard work on the part of someone. The supervisors at first may possibly feel they are being imposed upon, when first asked to participate in such a program. The employees may feel, in the beginning, that the whole plan is *just another one of those things.* But both of these are natural reactions and constitute obstacles that must be overcome in instituting almost any worthwhile employee training program. Once both the supervisor and the employee become sold on the value of these conferences, such objections simply fade away. A well-conducted conference is *enjoyed* by the participants; a good supervisor always prefers to train his own people—appreciating that instruction is one of the prime responsibilities of any supervisor.

**T**HERE is no question but that a plant depending on bulletin board—mass-meeting communication technique is going to experience a lot of difficulties in transmitting ideas *either up or down.* On the other hand, a utility employing 10,000 people has successfully utilized plant-wide conferences at irregular intervals—perhaps once or twice yearly—with the aid of a group of 150 supervisors who have earlier been well-trained as leaders of employee training conferences.

### Older Worker Dilemma

**I**N addition to solving such new problems as those we have touched upon, today's utility executive has further new responsibilities to consider. Thus, management continues to tussle with the big and increasingly urgent problem of what to do with the employee over sixty. Should this worker be pensioned? Should he be discharged and placed on Social Security

## PUBLIC UTILITIES FORTNIGHTLY

benefits? Should he be retained on part-time jobs, or on jobs calling for less physical effort or stamina? Or should he be retained on his present job, irrespective of age, so long as he can successfully pass periodic physical examinations?

These are but a few of the sociological and economic problems that confront every executive of today's utility corporation. They are pressing problems, and delay in their solution complicates matters, since we are told authoritatively that each year the situation from which such problems arise must grow progressively more acute.

### Political and Educational Difficulties

OUTSIDE the plant, within the community itself, the modern utility executive has many civic and sociological problems with which to deal. Thus, with American utilities and other industries wisely spending \$100 million a year for advertising designed solely to point out the advantages of our way of life *accruing to Americans themselves*, the executives of these industries must, and do, contribute to this effort to combat subversive propaganda wherever it may be encountered.



### Conferences Ideal Communication Method

"OBVIOUSLY, such supervisor-led conferences afford utility management **the perfect method of communication to and from every employee in the organization.** And since the supervisor is truly the key man in any communication system between management and the worker, the leaders of these meetings are in a perfect position to interpret **direct to management** the uncoerced consensus of the employees, as determined in free, open discussion. Equally well, they can convey to the employees for discussion **certain problems that are of grave concern to management.** What better or more direct method of two-way communication between management and the employee could be desired?"



## NEW PROBLEMS FACING UTILITY MANAGEMENT

Also, utility engineers and the management of the great electrical manufacturing corporations are getting results in combating those curriculum revisions in our system of public instruction which have resulted in acute shortages of technical men within industry, as well as students who can neither cipher nor read plain English.

High schools that have earlier dropped courses in mathematics and science are everywhere reconsidering this action. In every metropolitan newspaper, industrialists are quoted as favoring more training in these essential subjects in both elementary and secondary schools. This publicity is producing marked effect, although the results cannot be at once evaluated, since there continues to exist much-concealed opposition to genuine reform in methods of teaching and curriculum.

THE utility executive has long appreciated that any effort to influence the political beliefs of his employees is altogether a waste of time. These workers have a way of voting as they please, regardless of pressure from any source aimed at vote control. But in those instances in which a segment of an industry has been adversely affected by such measures as reciprocal trade agreements, certainly the management of the plants affected is justified in informing its employees of the probable effects on jobs of such agreements.

*Conversely*, where the volume of business of other plants has been favorably affected by these trade agreements (per-

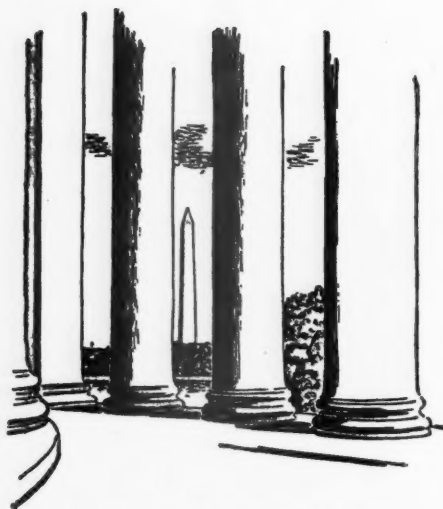
haps in the matter of increased exports of a product), it is reasonable that management should inform its more fortunate employees of *this* fact.

### Executives Subject to Stress

THE duties of today's utility executive increasingly demand more of his time and put far greater stresses on his physical resources. The higher his rank, the greater are his responsibilities and the greater becomes the strain of carrying out multitudinous obligations, both on and off the job.

This condition of continuously applied stress on the executive's make-up has become a matter of grave concern with those medical authorities who have given most study to the matter. Whereas utility employees and supervisors of lesser rank may find increasing time and opportunity for relaxation, and can indulge in numerous forms of restful relaxation, the higher executive may discover that even his hours away from the plant are overcrowded with obligations directly or indirectly connected with his work.

SOME utility executives appear to thrive on a 16-hour workday. But any action that can be taken to lighten the executive's load—through increased delegation of duties to assistants, or by any other division of responsibility—should be carefully considered. Both the executive himself and the company employing him will benefit by any innovation that succeeds in relieving the executive of some portion of this crushing administrative burden.



### *Ike Wins on REA Veto*

PRESIDENT Eisenhower's record of never having had a veto overridden was kept intact on April 30th when the House failed by four votes to join the Senate in overriding the first presidential veto of the year. The last President to escape having a veto overridden was Warren G. Harding, who, however, died after serving only two and a half years of the term to which he was elected in 1920.

The bill vetoed by President Eisenhower would have stripped Secretary of Agriculture Ezra T. Benson of his power over lending policies of the Rural Electrification Administration, an agency that makes credit available to rural electric co-operatives at 2 per cent, although the government is paying  $3\frac{1}{2}$  to 4 per cent on its own borrowings.

The roll-call vote in the House was 280 to 146 in favor of overriding the veto, four short of the two-thirds required. The Senate on April 28th had voted to override the veto, 60 to 27, two votes more than the required two-thirds. This is the closest Mr. Eisenhower had come to having overridden one of his 138 vetoes, 86 of which were pocket vetoes on which Con-

## Washington and the Utilities

gress could not act, since they came after Congress had adjourned.

Republican leaders in the House, who switched to the administration's side nine of the sixteen Republicans who voted for the bill when it was adopted by Congress, were elated over their victory. They saw in it assurance that the President would be sustained if he subsequently vetoes some of the measures whose enactment would upset his budget-balancing plans.

HAD the absentees all been present and voted to override, with Speaker Rayburn joining them, the attempt still would have fallen two votes short, since a two-thirds vote then would have been 290. The defection of four Democrats was the decisive point. Had they switched sides, the veto would have been overridden, 284 to 142.

Democrats took some solace from their failure, Representative McCormack of Massachusetts asserting that the veto would be a "live issue" in farm districts in the 1960 elections and that GOP members who voted to sustain the President would have "a lot to answer for." He said he would be surprised were eight or ten

## WASHINGTON AND THE UTILITIES

Republicans in close districts not to pay for their votes with defeat when seeking re-election.

President Eisenhower, through his press secretary, James C. Hagerty, issued this statement: "I am deeply gratified by the vote in the House of Representatives sustaining the veto." Benson called it an "act of statesmanship" and "most gratifying to me." He had earlier termed the measure "largely a political move to embarrass me and the President." Its defeat, he said, preserved "the sound operation of the REA." He added:

The REA program always has had and shall continue to have my 100 per cent support. The REA has done an outstanding job for rural America under the present system. It has achieved its greatest progress in the six years of this administration. I shall continue to devote my efforts to improve even this record.

**S**ENATOR Humphrey (Democrat, Minnesota), co-sponsor of the bill to strip Benson of his authority over loan functions of the REA while leaving house-keeping responsibilities in his jurisdiction, said he was "deeply disappointed" over the House failure to go along with the Senate in overriding the veto.

The effort to snatch some of Benson's power away from him was occasioned by the administration's rejection of a loan application by an Indiana electric co-operative.

Actually, the Democratic leadership may regret the controversy created by the REA bill veto. Strategically, it was not regarded by observers as a very good bill on which to challenge the President's "government by veto" in the forthcoming showdown between the White House and the "spenders" in Congress on more gen-

erally important legislation. Even supporters of the REA bill admitted, off the record, it would have little practical effect, and that can hardly be justified on any appeal to valid principles of administrative government. It was generally regarded as a spite bill designed to curry favor with the farm bloc eager to embarrass Secretary of Agriculture Benson. In the process, however, it may eventually focus overdue attention on provisions of the REA law which are now being used to provide more power and communication services for light industries than for farmers at a subsidized (2 per cent) rate of interest.

### *Relocation Funds May Be Double Checked*

**R**EPRESENTATIVE Jones (Democrat, Alabama) has declared his intention of investigating how much revenue is being taken from the federal interstate highway program by what he terms utility company "raids." Jones is a member of the House Public Roads Subcommittee which meets this month on highway problems. He will try to ascertain how much federal funds have gone to utility companies for relocating their lines in conjunction with the federal highway system.

The Alabama Congressman also wants to learn how many states now have provisions in their laws which allow them to pay 90 per cent of the cost of relocating utility lines from federal funds and the balance from state funds. He called such expenditures needless and pointed out that the highway fund already is in short supply of money. When the 41,000-mile highway act was passed in 1956, Jones predicted that utility companies would try to get large amounts for relocating their lines. Jones introduced two bills to stop this but neither passed.

*National Fuel Policy Urged*

COAL interests are asking Congress to salvage their industry by establishing a new national fuel policy. Leaders in both management and labor met in Washington, D. C., in late April at a dinner given by the National Coal Policy Conference. This group was recently organized by mine owners, the mine unions, and the coal-carrying railroads.

John L. Lewis, president of the United Mine Workers, linked the problem to that of national security and predicted that the United States could not rally its coal industry in an emergency today. He pointed out that most foreign countries subsidize their mines. George H. Love, chairman of Consolidation Coal Company and chairman of the conference, spoke of the concern of all for energy sources.

*House Passes TVA Bill*

THE House of Representatives on May 7th passed a bill to let the Tennessee Valley Authority issue \$750 million worth of bonds to finance building of new power plants. The self-financing bill is aimed at ending a long impasse over expansion of TVA's electric power output. It now goes to the Senate, which passed a somewhat similar bill last year.

The House's Democratic majority beat down a series of Republican moves to give the administration control over the self-financing plan. Republicans predicted that President Eisenhower would veto the measure unless the controls were added. They fought down to the wire for administration-backed amendments, but lost every time. A last-ditch GOP move to send the bill back to the Public Works Committee to add the amendments was

defeated by a roll-call vote of 231 to 182. The vote on passage was 245 to 170.

*Biggest State—Biggest Dam?*

THE Senate Committee on Public Works has directed the Corps of Engineers to conduct a study of the largest hydroelectric power project proposal in the world. The project would be located on the Rampart Canyon dam site on the Yukon river in Alaska. It is estimated that the study will cost \$100,000. Early Corps of Engineers reports indicate that 5 million kilowatts of power might be produced at Rampart Canyon. This is more than half again the power capacity of the Tennessee Valley Authority.

The huge dam and installation would cost between \$900 million and \$1.5 billion and would store more than 1.5 billion acre-feet of water in a 10,000-square-mile lake. Meteorologists believe that this vast body of water will "substantially modify" the climate of the interior of Alaska. Both the Corps of Engineers and the Bureau of Reclamation have agreed on the possibilities of the project. The prime aim of the plan would be the production of power to tap the vast natural resources of the recently admitted forty-ninth state. Early indications are that such power could be produced at about two mills per kilowatt-hour. More than five years will be required to conduct the study and to prepare plans.

The site is located approximately 90 miles northwest of Fairbanks and about 400 miles north of Anchorage. Thus, the construction of the facility here would serve established communities, but economic disruption would not be caused by the flooding incident to construction of the reservoir.

# Telephone and Telegraph



## *UHF or VHF Television?*

THE Federal Communications Commission has forwarded a divided report to the Senate Committee on Interstate Commerce regarding very high frequency (VHF) and ultrahigh-frequency (UHF) television transmission.

The vast majority of American homes are now equipped for VHF reception. However, the frequency space available to this type of transmission is extremely limited. A great deal of VHF space is reserved for defense use and in particular for various satellite monitoring functions. The FCC has requested that a portion of these frequencies be turned back to civilian use. Should the Defense Department comply with the request, an additional 50 channels could be established within the VHF range. This would take care of TV requirements for the discernible future.

The struggle between VHF and UHF transmission has been long and complicated. This is the first report which the FCC has filed on the subject, which contained only one dissent.

Commissioner Robert E. Lee favors an all-UHF system on the grounds that the Defense Department probably will not relinquish its VHF space. He also said that there is more UHF space available and the cost of replacing equipment, should

the Defense Department move into the UHF range, would be staggering.

VHF transmission got a head start when the FCC authorized 13 channels shortly after the end of World War II. Home owners have been reluctant to spend the money to add UHF converters to their sets and sponsors have preferred the larger VHF audiences.

The crowded VHF frequencies are most evident in areas such as Louisville and Providence—only two channels are available for these two cities. Should the FCC report be followed, these areas would be able to give viewers an additional channel.

SENATOR Magnuson (Democrat, Washington) has announced that the Committee on Commerce will conduct hearings on the entire allocation problem in the near future. On the House side, Representative Harris (Democrat, Arkansas) expects to conduct hearings on the overall spectrum problem. This investigation has received a grant of \$150,000 for its work. Representative Harris has declined to make any comments on the FCC report, stating "it is a matter of determining how many channels we might need."

Acceptance by Congress of the FCC report would seem to hinge on the re-

## PUBLIC UTILITIES FORTNIGHTLY

sults of conversations between FCC and the military officials. If the Defense Department will consider relinquishing its VHF space, the recommendations of the FCC will stand a stronger chance of being approved by Congress.

### *Fast Cable Laying Technique*

ARMY officials at Fort Monmouth, New Jersey, have announced a new system for laying telephone cables at speeds up to 100 miles per hour.

The technique, involving the use of helicopters, was jointly developed by the Army Signal Research and Development Laboratories and the International Telephone & Telegraph Laboratories. A compact package containing 10 miles of cable is attached to the underside of the helicopter. Zigzag storing permits the airship to pay out the cable at high speeds without danger of snagging.

The military applications of such high-speed cable laying are obvious. The technique should also prove to be very valuable in areas where communications have been destroyed by disasters, such as floods and earthquakes.

### *Navy Telephone Plant Sale Attacked by House*

THE Navy's proposal to sell the Newport Naval Base telephone system has brought charges of being "basically deceptive in its money-saving allegation" from Representative Brooks (Democrat, Texas).

In 1953 President Eisenhower proclaimed a policy of getting the government out of areas of operation that could be handled by private enterprise. This directive forms the basis for the Navy's proposed sale of its telephone system at

Newport. The Newport facilities are in need of improvement and expansion. President Eisenhower's vacation in the area pointed up the fact that the system now in use is outdated and inadequate. The Navy, therefore, has engaged the New England Telephone & Telegraph Company to go ahead with a \$250,000 expansion program. The Navy then intends to sell the facility to the same company.

In a letter to Clarence Cannon (Democrat, Missouri), chairman of the House Appropriations Committee, Representative Brooks contended that the Navy should request an appropriation for building the expanded system, construct the facility, and then operate it. Under the Navy's proposal the government would pay a monthly telephone bill and Representative Brooks feels that this would establish a dangerous precedent. He pointed out that the Government Accounting Office has begun a study of the Newport case and its relationship to the 114 other telephone systems which the Department of Defense contemplates selling to private owners. Not only would the monthly rental costs be tremendous, Representative Brooks said, but the problem of enforcing security regulations would be difficult.

THE Navy's proposal to sell is based on the provisions of the Surplus Property Act of 1949. Further action has been deferred until a policy pronouncement is made by the Department of Defense.

Representative Brooks is the chairman of the Government Activities Subcommittee of the House Committee on Government Operations. His protest indicates a conflict of policy between the Navy, which is trying to abide by the presidential directive of 1953, and the legislative branch which is concerned with the possible increase in costs and the security involvements should such sales become general.

# Financial News and Comment

By OWEN ELY



## *First-quarter Earnings Reports Of Electric Utilities Make Good Reading*

RECENT increases in weekly electric output over last year have been on the phenomenal side in some cases, possibly due to unusually bad weather conditions in some areas last year. Thus, during the week of April 18th thirteen utilities reported gains of 20 per cent or more in kilowatt-hour output, and eight 25 per cent or more. The increase for Pacific Gas and Electric was 33 per cent. The U. S. average was 14 per cent.

Quarterly earnings reports reflecting share earnings are issued by only part of the electric utilities. A list of share earnings for the March quarter for 26 com-

panies shows 20 increases averaging 15 per cent and six decreases averaging 8 per cent, or a net increase for both groups of 9 per cent. Star performers with gains of 15 per cent or more in share earnings were Baltimore Gas & Electric, Bangor Hydro-Electric, Public Service Electric & Gas, Washington Water Power, Central & South West, Interstate Power, Kansas Power & Light, Northern States Power, Delaware Power & Light, and Iowa Public Service. More accurate figures for the industry will be obtainable at some later date when the monthly earnings bulletins for January, February, and March are released by the FPC.

## *Rapid Growth of the Independent Telephone Industry*

THE number of independent telephone companies has been decreasing steadily in the past decade. There are now some 3,867 companies in operation compared with 5,750 in 1948, a decrease of nearly one-third. This has been a period of consolidation, many small family-owned companies (as well as others) having been taken over by larger independents.

A great deal of new capital has been

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## PUBLIC UTILITIES FORTNIGHTLY

required to take care of increased service, conversion to the dial system, etc.; many small companies doubtless have found it difficult to finance these requirements and as a result they have been acquired by others. The largest independent, General Telephone & Electronics Corporation, has been active in acquiring many other independents, including the important Gary System, Peninsular Telephone, etc.

In the past decade the growth of the independent telephone companies compares with that of the Bell system as shown in table below.

Why have the independents grown so much faster than Bell? There seem to be several reasons: (1) The Bell system makes it a fixed policy not to acquire independent telephone companies except in rare instances. (2) Many smaller independents were probably in poor shape following World War II, and less progress had probably been made in converting to dial operation. (3) The independents, as a rule, operated in smaller municipalities and due to the redistribution of industry in the postwar period many of these smaller cities and towns have enjoyed a greater growth than the larger municipalities. The independents still have some "catching up" to do as compared with Bell; in 1958, the latter was 94 per cent dial operated and the independents only 78 per cent. However, a considerable number of conversions to dial are reported scheduled for 1959.

**T**HE early development of the industry was in the larger cities, in the years following the granting of basic patents to

Alexander Graham Bell in 1876-77. Expiration of these patents in 1894 resulted in a large number of independent telephone companies springing up—not only in small towns where there had been no service earlier, but also in many large cities where new companies competed with the existing Bell companies. Thus in 1915 Bell and the independent exchanges were competing with each other in 1,000 localities, while independents were also competing with each other in 600 municipalities.

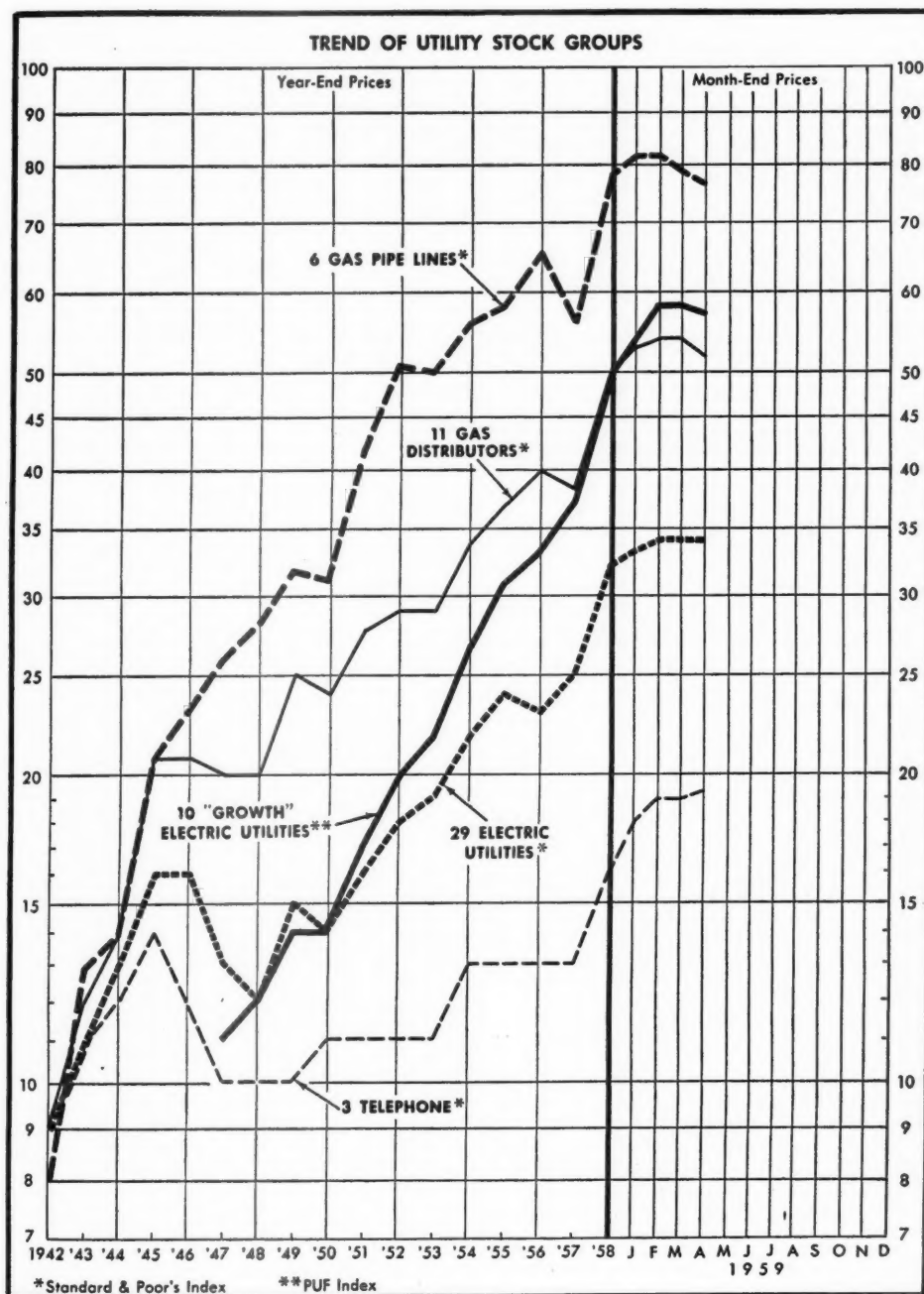
**D**EVELOPMENT of long-distance telephoning doubtless gave the Bell system a considerable initial advantage, although there is now virtually complete interconnection between Bell and the independents. The public eventually got tired of the competitive setup and this has been ironed out so that each area is now served by only one company. Some of the larger municipalities serviced by independents are Rochester, New York, Lincoln, Nebraska, Fort Wayne, Indiana, Tampa, Florida and Santa Monica, California. Important publicly owned independents are listed in the financial table on page 778. Altogether, there are some 96 independents with annual revenues in excess of \$1 million. These companies are represented by the United States Independent Telephone Association of Washington, D. C.

It appears likely that mergers among independent telephone companies will continue, especially if high money rates make it difficult for the smaller companies to raise bank loans or sell securities to provide needed new facilities.



	Independent Telephone Companies			Bell System		
	1948	1958	% Incr.	1948	1958	% Incr.
No. Telephones (mill.) ....	5.6	10.2	82%	31.4	54.7	74%
Plant Investment (bill.) ....	\$ 0.8	\$ 3.1	288	\$ 8.6	\$ 20.6	140
Revenues (mill.) .....	\$253	\$794	214	\$2,625	\$6,771	158

# FINANCIAL NEWS AND COMMENT



# PUBLIC UTILITIES FORTNIGHTLY

## California's Gas Requirements Mounting Rapidly

CALIFORNIA utilities burn little or no coal as fuel and are dependent on gas and oil. Thus in 1958 Southern California Edison used 6.5 million barrels of oil at an average cost of \$2.53 a barrel and nearly 60 million Mcf of gas at an average cost of 34 cents per Mcf. Fuel expenditures thus approximated \$16 million for oil and \$20 million for gas.

Gas produced locally in California has

been gradually declining in the past decade; the amount of imported gas, which first began to enter the state about 1947, has increased rapidly and now more than equals that produced locally. The demand for gas has been stimulated not only by the rapid growth of industrial and utility demands, but also by the desire to reduce smog—gas is a better fuel than oil for this purpose.

Up to the present time El Paso Natural Gas has been the principal supplier bring-

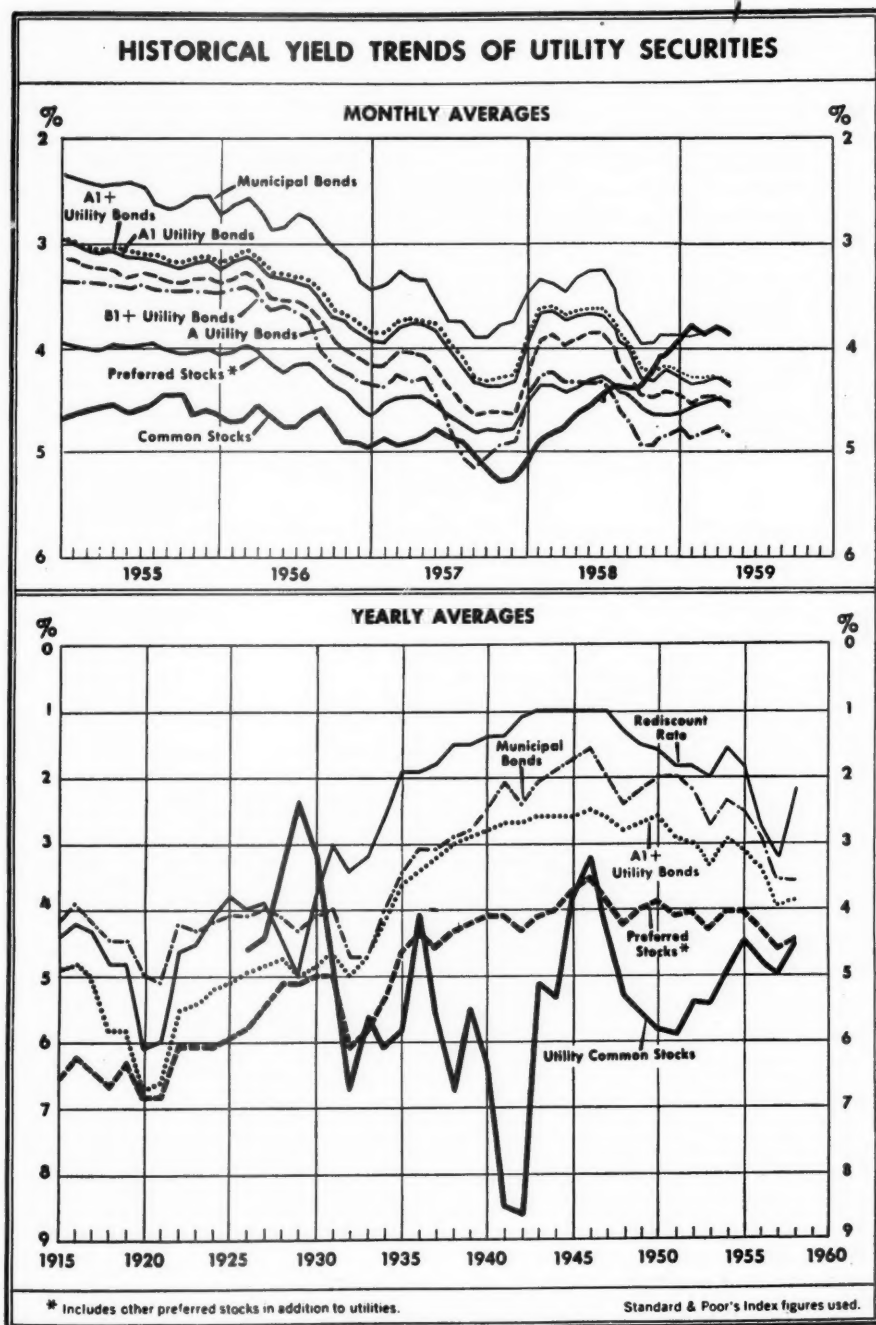


## APRIL UTILITY FINANCING PUBLIC OFFERINGS OF ELECTRIC AND GAS UTILITY SECURITIES

Amount Date (Mill.)	Description	Price To Public	Under- writing Spread	Offer- ing Yield	Aver. Yield For Securities Of Similar Quality	Moody Rating	Success Of Offer- ing
<i>Bonds</i>							
4/1 \$16	Monongahela Power 1st 4½s 1984 ....	104.47	.73C	4.65%	4.49%	A	c
4/3 7	Gulf Power 1st 4½s 1989 .....	101.25	.79C	4.67	4.49	A	d
4/8 45	Texas East. Transmission 1st (s. f.) 4½s 1979 .....	99.50	1.00N	4.91	4.64	Baa	d
4/8 10	Hawaiian Elec. 1st 4.75% 1989 .....	100.00	.88N	4.75	4.49	A	a
4/9 20	Natural Gas Pipeline Co. of America 1st (s. f.) 4½s 1979 .....	99.68	1.00N	4.65	4.49	A	a
4/15 11	Central P. & L. 1st 4½s 1989 .....	102.43	.77C	4.60	4.39	Aa	d
4/16 14	Wisconsin P. & L. 1st (s. f.) 4½s 1989 .....	100.57	.78C	4.59	4.39	Aa	d*
4/21 5	Central Louisiana Elec. 1st (s. f.) 5½s 1989 .....	102.72	1.11C	4.95	4.73	Baa	d*
4/29 20	Pub. Serv. of Colo. 1st 4½s 1989 ....	101.22	.75C	4.55	4.44	Aa	c
<i>Preferred Stock</i>							
4/1 6	Pub. Serv. of New Mexico 5.25% (Warrants attached) .....	103.00	3.25N	5.10			a
4/7 44	Tenn. Gas Transmission 4.72% (sec- ond series) Conv. ....	100.00	3.00N	4.72			a
4/10 11	Southern Union Gas (s. f.) 4.64% (second series) Conv. (\$25 Par) ..	25.00		N** 4.64			
4/15 8	Louisiana P. & L. 5.16% .....	102.18	1.74C	5.05			d*
4/23 2	Brockton Edison 5.60% (\$50 Par) ..	51.38	.92C	5.45			a
4/28 10	Washington Gas Light 4.60% Conv. .	100.00	1.90**	4.60			
4/28 2	So. Nevada Power 5½% (\$20 Par) ..	20.00	.75	5.50			a
<i>Common Stocks—Offered to Stockholders</i>							
4/1 39	Columbia Gas System .....	21.75	.06C	4.60			
4/2 1	Black Hills P. & L. ....	28.25	N	5.10			
4/3 4	Western Massachusetts Cos. ....	25.00	N	4.80			
<i>Common Stocks—Offered to Public</i>							
4/1 7	California Electric Power .....	22.13	.52C	3.62		5.15	a
4/23 1	Maine Public Service .....	23.50	1.20N	5.11		6.58	a

C—Competitive. N—Negotiated. \*Price lowered from initial offering price by syndicate. \*\*Offered on subscription basis. a—Reported issue well received. c—Reported issue sold somewhat slowly. d—Reported issue sold slowly.

Source, Irving Trust Company



## PUBLIC UTILITIES FORTNIGHTLY

ing gas into the state, but other companies are now planning to enter the field. Pacific Gas and Electric apparently did not want to be entirely dependent on El Paso (from whom it obtained 72 per cent of its gas in 1958) and last year developed plans for a \$330 million transmission system to bring gas 1,300 miles from Alberta to California. The pipeline will have an initial capacity of 400 million cubic feet a day. Pacific Gas is associated in the project with Canadian Bechtel, Ltd., and two subsidiaries of International Utilities—Canadian Western Natural Gas and Northwestern Utilities.

### *New Developments Re Accelerated Depreciation*

DEVELOPMENTS have been coming thick and fast over the question as to how tax savings from accelerated depreciation should be handled. A few weeks after the Securities and Exchange Commission had announced its intention to study the matter and possibly issue an order, the New York Public Service Commission (which held hearings about two years ago) issued a 38-page statement of policy. The latter commission favors the flow-through method for rate-making purposes—not only for accelerated depreciation but also for accelerated amortization (the latter to be normalized “below the line,” however, in fixed charges). The statement was not very clear regarding future rate case treatment for utilities which might elect not to use liberalized depreciation (the major telephone companies are not doing so at the present time), but the implication seemed to be that the commission would prefer to give consumers the benefits of any available tax savings. (See *P.U.R. Executive Information Service*, Letter No. 1319, April 10th, page 4.)

The policy of utility companies in New

York state up to the time of the commission's statement had been divided about evenly between flow-through and normalization. Among the major electric utilities, Consolidated Edison, Niagara Mohawk, New York State Electric & Gas, and Orange & Rockland had been using flow-through, while Rochester Gas & Electric, Long Island Lighting, Brooklyn Union Gas, and Central Hudson Gas & Electric had been normalizing, in one form or another. However, since the commission's declaration of policy two of the latter companies have decided to adopt flow-through in their first-quarter earnings—Long Island Lighting and Central Hudson G. & E.

As we go to press, Brooklyn Union Gas advises that it will use flow-through, and it is anticipated that other companies in the state using accelerated depreciation will also adapt themselves to the Commission's way of thinking.

IN 1957, the public utility department of Irving Trust Company (John Childs, vice president) made a survey of financial analysts to determine how they expected to treat accelerated depreciation for analytical purposes. They were requested to make another survey to determine if there had been any change in the thinking of the analysts and make a report at the 1959 National Conference of Electric and Gas Utility Accountants. The report was part of the general session on “Liberalized Depreciation after Five Years.”

With respect to the calculation of earnings per share to use in earnings-price ratios, a majority of analysts still preferred to exclude the tax savings (usually termed “deferrals”) from share earnings in cases where tax savings are normalized by the company or taken as extra depreciation. However, where flow-through is used, a majority of the fifteen analysts

# FINANCIAL NEWS AND COMMENT

consulted are now willing to include the savings in share earnings—a reversal of the 1957 expression.

The questionnaire went into considerable detail regarding various methods of handling tax deferrals in the income account and balance sheet, with thirteen different questions. The report of the survey (which has been published) includes, in addition to details of the 1957 and 1959 opinions on each question, a number of explanatory comments or reservations by the analysts with respect to their responses.

**I**N the April 23rd FORTNIGHTLY, page 631, in commenting on the importance of adequate information for stockholders regarding flow-through or normalization, the statement was made "In the recent prospectus on the issue of common stock by California Electric Power Company,

the SEC took notice of this difficulty and ordered the footnote to be reproduced along with the earnings statement in the front of the prospectus."

We regret that this was incorrect. The company itself (through O'Melveny & Myers, counsel for the purchasers) rather than the SEC made the change at the time of filing the posteffective amendment. The original note read simply "See third paragraph of Note 7 to financial statements" and was changed to read "The effect of the change in accounting method explained in the third paragraph of Note 7 to financial statements was to increase net income and earnings per share of common stock for 1958 by \$658,000 and 19 cents, respectively." The change was made for clarification and to place the information for convenient reference, but the SEC had not required the change.

## RECENT FINANCIAL DATA ON GAS UTILITY STOCKS

Annual Rev. (Mill.)	4/29/59 Price About	Divi- dend Rate	Approx. Yield	Recent Share Earnings	% In- crease	Aver. Incr. In Sh. Earn. 1953-58	Price- Earnings Ratio	Div. Pay- out	Approx. Common Stock Equity
<b>Pipelines and Integrated Systems</b>									
\$ 5 O	Ala.-Tenn. Nat. Gas ....	24	\$1.20(k)	5.0%	\$1.37De	4%	14%	17.5	87% 40%
205 S	American Nat. Gas .....	69	2.60(l)	3.8	4.44De	13	8	15.6	59 39
76 A	Arkansas Louis. Gas ...	65	1.20	1.8	2.52De	40	85	25.8	48 53
55 O	Colo. Interstate Gas ....	52	1.25	2.4	2.30De	3	9	22.6	54 24
427 S	Columbia Gas System ..	22	1.00	4.5	1.44De	10	26	15.3	70 43
7 O	Commonwealth Gas .....	10	—	—	.49De	22	—	20.4	— 77
19 O	Commonwealth N. G. ...	26	1.00	3.8	1.62De	6	12	16.0	62 47
11 S	Consol. Gas Util. ....	20	.90	4.5	1.54Ja	D4	8	13.0	58 57
304 S	Consol. Nat. Gas .....	51	2.10	4.1	3.14De	D8	11	16.2	67 60
19 O	E. Tenn. Nat. Gas .....	12	.60	5.0	.90De	7	23	13.3	66 25
368 S	El Paso Nat. Gas .....	33	1.30	3.9	1.61De	D2	—	20.5	81 18
50 S	Equitable Gas .....	38	1.60	4.2	2.58Ma	16	6	14.7	62 44
34 O	Houston N. G. ....	27	.80	3.0	1.41Ja	D19	11	19.1	57 18
21 O	Kansas Nebr. Nat. Gas .	44	1.80(f)	4.1	2.94De	15	11	15.0	61 36
113 S	Lone Star Gas .....	44	1.80	4.1	2.24De	D4	10	19.6	80 43
77 S	Miss. River Fuel .....	40	1.60	4.0	1.96De	D2	5	20.4	82 48
28 S	Montana Dakota Util. ..	30	1.00	3.3	1.65De	8	15	18.2	61 29
26 O	Mountain Fuel Supply ..	27	1.20	4.4	1.57De	D9	3	17.2	76 51
94 S	Natl. Fuel Gas .....	23	1.10	4.8	1.47De	6	7	15.6	75 56
139 S	Northern Nat. Gas .....	33	1.40	4.2	1.62De	D13	9	20.4	86 35
43 S	Oklahoma Nat. Gas .....	29	1.24	4.3	1.93F	39	6	15.0	64 34
121 S	Panhandle East. P. L. ...	49	1.80	3.7	2.74De	—	2	17.9	66 40
15 O	Pennsylvania Gas .....	24	1.20	5.0	2.13De	D2	30	11.3	56 59
188 S	Peoples G. L. & Coke ...	55	2.00	3.6	3.08De	5	4	17.9	65 41
26 O	Pioneer Nat. Gas .....	37	1.40	3.8	2.10De	D1	11	17.6	67 43
104 S	Southern Nat. Gas .....	41	2.00	4.9	1.95De	D17	—	21.0	103 43
41 O	Southern Union Gas ....	27	1.12	4.1	1.40De	D9	9	19.3	80 27
402 S	Tenn. Gas Trans. ....	34	1.40	4.1	1.84De	8	16	18.4	76 21

## PUBLIC UTILITIES FORTNIGHTLY

Annual Rev. (Mill.)	(Continued)	4/29/59 Price About	Dividend Rate	Approx. Yield	Recent Share Earnings	% Increase	Aver. Incr. In Sh. Earn. 1953-58	Price-Earns. Ratio	Div. Pay-out	Approx. Common Stock Equity
266 O	Texas East. Trans. ....	31	1.40	4.5	2.05Ma	D23	16	15.1	68	21
104 S	Texas Gas Trans. ....	32	1.20(b)	3.8	2.06De	13	3	15.5	58	33
115 O	Transcont. Gas P. L. ....	22	1.00(b)	4.5	1.40De	3	17	15.7	71	23
318 S	United Gas Corp. ....	41	1.50	3.7	2.41De	D4	4	17.0	62	42

Averages ..... 4.0% 3% 12% 17.4 69%

## Retail Distributors

32 S	Alabama Gas .....	33	\$1.60	4.8%	\$2.12Ma	D26%	13%	15.6	75%	42%
53 O	Atlanta Gas Light .....	38	1.60	4.2	2.91F	17	11	13.1	55	34
3 O	Berkshire Gas .....	21	1.00	4.8	1.42F	18	31x	14.8	71	39
7 A	Bridgeport Gas .....	33	1.60	4.8	2.20De	30	8	15.0	73	46
6 O	Brockton-Taunton Gas ..	19	.95	5.0	1.30De	10	28	14.6	73	46
79 S	Brooklyn Union Gas ....	55	2.20	4.0	3.36Ma	5	10	16.4	65	44
41 O	Central Elec. & Gas ....	23	1.00	4.3	1.65F	5	11	13.9	61	17
13 O	Cent. Indiana Gas .....	15	.80	5.3	.90De	D16	17	16.7	90	57
6 O	Chattanooga Gas .....	6	.35	5.8	.38F	D31	17x	15.8	92	43
68 O	Gas Service .....	33	1.52	4.6	2.81Ma	14	13	11.7	54	36
9 O	Hartford Gas .....	48	2.00	4.2	2.31De	21	—	20.8	87	51
3 O	Haverhill Gas .....	27	1.40	5.2	2.14Ma	14	14	12.6	65	53
20 O	Indiana G. & Water ....	25	1.00(b)	4.0	1.60F	14	11	15.6	63	45
52 S	Laclede Gas .....	20	.90	4.5	1.21De	D8	5	16.5	74	34
6 O	Mich. Gas Util. ....	25	1.05	4.2	1.20De	D2	4	20.8	87	34
44 O	Minneapolis Gas .....	33	1.50	4.5	1.69De	D18	6	19.5	89	46
17 O	Miss. Valley Gas .....	28	1.20	4.3	2.13De	15	8	13.1	56	34
6 O	Mobile Gas Service ....	26	1.10	4.2	1.54De	18	7	16.9	71	37
8 O	New Haven Gas .....	40	1.90	4.8	3.07De	30	13	13.0	62	67
15 O	New Jersey Nat. Gas ...	48	1.60(h)	3.3	2.81Ma	4	—	17.1	57	34
91 O	No. Illinois Gas .....	29	.88	3.0	1.57F	14	—	18.5	56	54
10 O	North Penn Gas .....	12	.60	5.0	.81De	4	12	14.8	74	60
18 O	Northwest Nat. Gas ....	17	.72	4.2	*1.12Ma	6	—	*15.2	64	36
285 S	Pacific Lighting .....	52	2.40	4.6	2.80Ma	5	10	18.6	86	42
10 O	Piedmont Nat. Gas ....	32	1.00	3.1	1.84De	5	21	17.4	54	24
2 O	Portland Gas Lt. ....	15	.75	5.0	2.31De	128	31	6.5	32	27
10 A	Providence Gas .....	12	.56	4.7	.60De	20	5	20.0	93	50
4 A	Rio Grande Valley Gas .	5	.24	4.8	.34De	40	11	14.1	71	55
6 O	So. Atlantic Gas .....	17	.80	4.7	1.22Se	27	6	13.9	66	32
14 S	So. Jersey Gas .....	52	1.60	3.1	2.35De	7	18	22.2	68	50
34 S	United Gas Impr. ....	58	2.40	4.0	3.37Ma	21	5	17.2	71	54
60 S	Wash. Gas Light .....	51	2.24	4.4	3.37De	21	12	15.1	66	37
14 O	Wash. Nat. Gas .....	18	(g)	—	.66De	65	5	—	—	40
10 O	Western Ky. Gas .....	18	.60(i)	3.3	1.25De	42	3	14.4	48	41

Averages ..... 4.4% 15% 11% 15.8 68%



## RECENT FINANCIAL DATA ON TELEPHONE, TRANSIT, AND WATER STOCKS

Annual Rev. (Mill.)		4/29/59 Price About	Dividend Rate	Approx. Yield	Recent Share Earnings	% Increase	Aver. Incr. In Sh. Earn. 1953-58	Price-Earns. Ratio	Div. Pay-out	Approx. Common Stock Equity
\$6,771 S	Amer. T. & T. (Cons.) .	254	\$9.90†	3.9%*	\$14.31F	10%	4%	*17.7	69%	64%
329 A	Bell Tel. of Canada ....	43	2.00	4.7	2.14De	7	—	20.1	93	64
47 O	Cin. & Sub. Bell Tel. ...	97	4.50	4.6	5.15De	5	—	18.9	88	76
255 A	Mountain Sts. T. & T. ..	160	6.60	4.1	8.09De	D3	4	19.7	82	76
354 A	New Eng. T. & T. ....	175	8.00	4.6	10.23Ma	25	7	17.1	78	62
937 S	Pacific T. & T. ....	164	7.00	4.3	7.89De	4	1	20.8	89	61
119 O	So. New Eng. Tel. ....	44	2.00	4.5	2.60De	37	8	17.0	77	61

Averages ..... 4.4% 12% 3% 18.8 82%

## Independents

6 O	Anglo-Canadian Tel. ....	41	\$1.20	2.9%	\$2.94De	D10%	32%	13.9	41%	52%
45 O	British Col. Tel. ....	45	2.00	4.4	1.72De	D34	—	26.7	116	28

# FINANCIAL NEWS AND COMMENT

Annual Rev. (Mill.)	(Continued)	4/29/59 Price About	Divi- dend Rate	Approx. Yield	Recent Share Earnings	% In- crease	Aver. Incr. In Sh. Earn. 1953-58	Price- Earnings Ratio	Div. Pay- out	Approx. Common Stock Equity
4	O Calif. Inter. Tel. ....	13	.70	4.7	.89	D19	NC	16.8	79	24
22	O Calif. Water & Tel. ....	27	1.20	4.4	1.79De	36	2	15.1	67	37
18	O Central Tel. ....	25	1.00(b)	4.0	1.80De	D9	5	14.0	56	28
5	O Commonwealth Tel. ....	20	.90	4.5	1.35De	D6	20	14.8	67	35
5	O Florida Tel. ....	30	1.00	3.3	1.00De	D7	4	30.0	100	42
552	S General Tel. & Elec. ....	70	2.00	2.9	3.18De	5	NC	22.0	63	34
19	O Hawaiian Telephone ....	23	1.00	4.3	*1.26Ja	6	4	*18.3	79	43
8	O Inter-Mountain Tel. ....	17	.80	4.7	.91De	D3	—	18.7	88	54
23	S Rochester Tel. ....	26	1.00	3.8	1.49De	12	4	17.4	67	33
11	O Southwestern St. Tel. ..	26	1.20	4.6	1.57De	D5	—	16.6	76	37
38	O United Utilities ....	34	1.25	3.7	1.64De	6	3	20.7	76	36
15	O West Coast Tel. ....	25	1.00	4.0	1.18Se	D22	4x	21.2	85	35
255	S Western Union Tel. ....	37	1.20	3.2	1.89De	D7	—	19.6	63	85

Averages ..... 4.0% D4% 6% 19.1 75%

## Transit Companies

20	O Baltimore Transit ....	9	—	—	\$.58De	D43%	—	15.5	—	48%
12	O Cincinnati Transit ....	6	\$.30	5.0%	.31De	D40	—	19.4	97%	54
65	S Fifth Ave. Coach ....	17	—	—	.02De	D99	—	—	—	75
305	S Greyhound Corp. ....	23	1.00	4.3	1.23De	1	—	18.7	81	50
26	S Nat. City Lines ....	28	2.00	7.1	1.69De	D38	—	16.6	118	94
13	O Niagara Frontier Trans. .	84	.60	7.0	.10De	D87	—	—	—	67
17	A Pittsburgh Rys. ....	11	.25	2.3	Deficit	—	—	—	—	90
6	O Rochester Transit ....	6	.40	6.7	.86De	34	11%	7.0	47	100
21	O St. Louis P. S. ....	11	1.00	9.1	.68De	4	—	16.2	147	97
14	S Twin City R. T. ....	12	1.00	8.3	.24De	D70	—	—	416	65
19	O United Transit ....	7	.60	8.6	.75De	D4	—	9.3	80	55

Averages ..... 6.5% (D)34% — 14.7 141%

## Water Companies

### Holding Companies

43	S American Water Works .	144	\$.60	4.3%	\$1.01De	—	—	13.9	59%	19%
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### Operating Companies

5	O Bridgeport Hydraulic ...	34	\$1.70(f)	5.0%	\$1.75De	D15%	2%	19.4	97%	53%
16	O Calif. Water Service ...	28	1.20(j)	4.3	1.59Ma	D3	1	17.6	75	36
4	O Elizabethtown Water ...	50	2.00	4.0	3.90De'57	19	30x	12.8	51	58
11	S Hackensack Water ....	48	2.00	4.2	3.29De	D5	—	14.6	61	35
8	O Indianapolis Water ....	25	1.00	4.0	1.22De	D4	6	20.5	82	35
6	O Jamaica Water ....	42	2.20	5.2	2.97De	D6	1	14.1	74	27
5	O New Haven Water ....	68	3.40	5.0	3.32De	9	6	20.5	102	61
2	O Ohio Water Service ...	28	1.50(b)	5.4	1.52De	D41	—	18.4	99	31
9	O Phila. & Sub. Water ...	48	.50(b)	1.0	2.59De	D17	—	18.5	19	27
2	O Plainfield Un. Water ...	63	3.00	4.8	4.42De'57	D12	2x	14.3	68	63
5	O San Jose Water ....	31	1.30(f)	4.2	1.99F	12	15	15.6	65	41
11	O Scranton-Springbrook ..	23	1.00	4.3	1.63De	2	4	14.1	61	25
5	O South. Calif. Water ...	21	.80	3.8	1.20De	1	7	17.5	67	33
4	O W. Va. Water Service ..	22	.68(d)	3.1	1.47De	D20	—	15.0	46	18

Averages ..... 4.2% D6% 5% 16.6 69%

A—American Stock Exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. Ja—January; F—February; Ma—March; Ap—April; My—May; Je—June; Jy—July; Au—August; Se—September; Oc—October; N—November; De—December. NC—Not comparable. NA—Not available. D—Decrease. \*On average shares. †Rate raised to \$9.90, effective next July (\$3.30 on split shares). (a) Adjusted to eliminate 13 cents per share of nonrecurring tax savings. (b) Also stock dividend in 1958. (d) Also 1 per cent stock dividend quarterly. (e) Also 10 per cent stock dividend May 19, 1958. (f) Includes extras. (g) Five per cent stock dividend April 10, 1959. (h) Also 2 per cent stock dividend December 1, 1958. (i) Also 5 per cent stock dividend December 29, 1958. (j) Also 5 per cent stock dividend March 19, 1959. (k) Also 20 per cent stock dividend March 9, 1959. (l) Also 10 per cent stock dividend June 10, 1959. (n) Excludes profit realized on sale of Los Angeles Transit \$3.81 per share. \*\*On combined common and common B stocks. x—1952-57.



## What Others Think

### Two Senators Speak on Power Problems

Now and then a speech is given that shows unusual insight into the basic issues with which it deals. The message presented by the Honorable Barry Goldwater, Republican Senator from Arizona, to the EEI convention delegates last month, was of this caliber. He began his remarks by quoting from that wonderful classical scholar of ancient Greece, Edith Hamilton, who gave these reasons for the collapse of that once great democracy:

I think it was mostly because Greece no longer cared to fight for anything. In the end the Greeks wanted security more than they wanted freedom. They wanted not to give to state but to receive from the state. They just wanted to be comfortable.

The Senator warned that although we may feel secure today under the cloak of our Constitution and Bill of Rights, "Governments in times gone by have thrown up even stronger safeguards than ours against dictatorship, only to see the barriers first lowered, then destroyed as the people permitted more and more power to be concentrated in a tyrant or in an all-embracing central government. . . . Government has nothing to give except that which it has first taken away."

What happens to the electric power in-

dustry at the hands of government will provide an important clew as to the future course of the nation, Senator Goldwater said.

For, he pointed out,

. . . A short generation ago the federal government produced less than one per cent of the power consumed in the United States. Now it produces almost 15 per cent, and the ratio mounts steadily. (Editor's note: Government-produced power as of 1957 was 23.8 per cent.)

This trend continues even though the electric companies have made a tremendous contribution to progress in the past and are destined to do even greater things in the future as we move into a new era of electronics and electrical living. You are doing and are capable of doing a good job for the people of this country, yet government is constantly moving in on you.

The nature of the product—or service—sold by the electric power industry, may have some bearing on why this situation is so. Electricity is taken for granted and people seem to consider it with a different economic attitude than they do other commodities. It becomes an easy prey for those who think the government should provide

## WHAT OTHERS THINK

more things for the people, so they argue that federal agencies can make electricity for less.

**D**ESPITE the fact that electric utilities usually take the lead in community development and head up drives for charities, they seem to get little credit for their accomplishments. Apparently, the Senator declared, the public does not yet fully understand the huge taxes utilities pay, how they have kept the cost of electricity down through technological advances, that they serve more than 40 per cent of our farms directly, and furnish power to more than 50 per cent of the remaining ones. "If you received the credit you justly deserve, your troubles would diminish."

He urged the electric utility companies to face up to the "public power trust" with a single-mindedness of purpose. The Senator stated:

I am sure that some electric companies have taken no interest in national affairs that affect the industry as a whole. . . . If you do not make an all-out effort every time a company is faced with government competition or encroachment, even if it is 3,000 miles away, you are going to be picked off piece by piece, company by company. Although a company may not seem in danger now, there is no telling when it might be.

The vehicle that formerly was used for the expansion of government competition in the electric power industry was hydro-electric development. Replacing it today is atomic power. That is why the proponents of public power are working so hard to persuade government to take the lead in the building of nuclear power reactors. Even greater efforts must be exerted by private power companies to oppose gov-

ernment power developments, the Senator insisted.

**E**FFORTS are being made in Washington to silence private power, but they should be strenuously resisted, Senator Goldwater asserted. "If Congress does not grant some tax relief for your advertising and legislative effort, I hope this won't deter you from participating up to the hilt in such programs. [Fighting public power.] There is no place in this fight for timidity."

Topflight electric utility executives should handle the problems of politics that confront the industry, the Senator emphasized. They require full-time attention. He pointed out that electric utilities have an advantage in nation-wide coverage. Talking with Congressmen and Senators is a very important function. Let them know what you think. See them often. And votes will be needed to stop the adverse public power trend. While the Senator did not recommend that utility people run for political office, he did urge them to concern themselves intimately with the political philosophies of those who did seek government positions.

Speaking of labor, the Arizona lawmaker went on record by saying:

I am not against the labor leader so long as he is the duly elected representative of labor and confines his activities to those things that concern the ones he represents. Where we part company is when the labor boss uses his position to defraud those he represents and to promote his own political ambitions. . . . My concern is for the worker.

Senator Goldwater mentioned some of the labor abuses revealed by the investigations of the McClellan Committee, of which he is a member. He said the reason remedial legislation has not yet been en-

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acted, despite the wide publicity given to the atrocities committed in the name of labor advancement, was that the leaders of organized labor have become politically powerful.

**H**E said that he did not wish to imply that all leaders of organized labor are bad. But he pointed out that once any organization acquires power, it fights to keep it. Once business was too powerful; now labor has reached the point where it must be controlled unless we want to find ourselves ruled by a labor government. The Senator continued:

... Organized labor should have no specific interest in promoting government power. Its interest really should be with the electric companies. You furnish 85 to 90 per cent of union members with their personal power requirements, to say nothing of the power they use on their jobs to increase their productivity. I understand the unions representing your employees have publicly opposed any expansion of government power—federal, state, or local. They have found their members fare much better under company ownership and operation than they do under government.

Other unions not directly connected with the electric power industry, unfortunately, do not support private ownership, but endorse all types of government power. Why? "Obviously this stand fits into the general pattern of seeking political favor by seeming to give people something for nothing. Too often people seeking power are willing to cast principle aside in the interest of political expediency."

**W**HERE have we fallen down? the Senator asked. Why is the belief in the ultimate importance of the individual—or

free enterprise—on thin ice today? He said we have failed to translate our principles and make them meaningful in terms of today's problems, and "if we don't find the answer to this, we won't be here tomorrow and there won't be any private electric companies."

Senator Goldwater referred to the fact that government programs always seem to favor groups and to submerge the individual. This has fostered to a great extent the growth of conformity, decline of personal incentive, the search for security at all costs. He stated:

... Labor has directed its attention at getting the most benefits, the most security for its group, and within its own framework has deprived the individual of liberty, freedom, and individuality. Where laws permit, the laboring man is deprived of his right to work unless he joins a union. In many unions he has no control over his union dues and is often deprived of the right to elect his own officers. He is deprived of recourse to law and justice through fear of brutality from union leaders. Often he is deprived of his right to feed his family when ordered out on strike, no matter how hard pressed he might be financially and irrespective of his individual desires.

We must focus attention on the individual as an individual. The standard the government should follow is, "if people can do something for themselves then there is no need for government to do it."

**T**HERE is definitely no need for government to assume responsibility for electric power, for the people are quite capable of supplying the nation's electric power needs. The electric power industry stands for free enterprise. It stands for

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those values which place the individual first. That is why it is vital for electric utilities operated by private individuals to continue to exist.

The Senator expressed his confidence in the ultimate ascendancy of conservative principles that rest on the importance of the individual. He said such principles are sound and tested by experience while the "more government" proponents have nothing to offer but more government restrictions.

### Senator Randolph and the REA

SENATOR JENNINGS RANDOLPH (Democrat, West Virginia) spoke to the annual conference of the Southeastern Electric Exchange regarding the rôle of the businessman in public affairs. The conference was held in late March in Boca Raton, Florida.

It is the Senator's conviction that government and business must observe an interdependent relationship—a relationship which places social responsibility upon the individual businessman and the business organization as well. The electrical industry is most aware of this sensitive balance and responsibility. Electrical utilities have often been prime movers in attracting new and diversified industries into a given area and the utility companies have long recognized their responsibility in community development.

The Senator pointed out that as a member of the House, representing the second congressional district of West Virginia, he had voted for the Tennessee Valley Authority Act in 1933. He further stated that if the same circumstances existed again he would cast his vote in the same manner. Regarding this action he said:

The TVA brought hope and prosperity to a depressed region—a region which at that time was not being ade-

quately served by the resources of private capital, and perhaps would not have been served for many years to come. It has justified its existence—as an antidepression measure—as a means of revitalizing the economy of an entire region—and as a source of power to many vital defense industries.

It was clearly pointed out, however, that Senator Randolph did not favor any expansion of TVA's power distribution area or its bonding authority. Moreover, he made known his opposition to any expansion of government projects which would tend to cripple existing private enterprise.

His conception of the value of projects such as TVA would be described as a pump-priming function in areas where a "vacuum" exists. He does not see such projects as a competitive force against private enterprise.

ALTHOUGH business has recognized that the eight-hour day is to the best interest of labor and management, a gulf still exists between "objectives of business success and public welfare." Many advances have been made in this area but the job of maintaining and strengthening a free society is never finished.

The Senator lauded the increased participation of businessmen in politics. He warned, however, that businessmen may be conceiving themselves as a political bloc pitted against organized labor. The rôle of business in politics is much broader than this limited type of activity. If the businessman casts himself simply in the rôle of protagonist or antagonist, he limits the scope of his freedom. Expanding this relationship he stated:

I illustrate this principle in reference to our own national attitudes toward the Soviet Union. Russia has at one

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and the same time become our national demon and the gauge by which we measure our own progress. We are too frequently confronted with such questions as:

"Are American schools as advanced as those of Russia?"

"Do we offer enough support for basic research in science and technology compared with that of Russia?"

"Are race relations in the United States strengthening the position of Russia in world opinion?"

Thus, in recent years, we have too frequently approached our problems not in terms of finding the best possible solutions, but in terms of the Cold War with Russia. And to that extent we have fallen increasingly under the dominance of the Kremlin. For the solution to any problem is determined, in large measure, by the questions which one addresses to the problem.

**B**USINESSMEN must not be obsessed by "labor *versus* management" and such limiting controversies. American business must always look at the larger issue of national welfare without indulging in opposite terms, such as liberal and conservative, farmer and consumer, etc. By using the broader approach of "national welfare" the businessman will be able to fulfill the great function of a democracy in which "it offers a wider variety of solutions than can be encompassed by mere opposites." Compromise and conciliation are the tools of politics in our democracy.

In a strong statement Senator Randolph called on business to contribute to the national welfare by returning to their proper place the nation's "experts." These persons, be they in the field of business or the arts, have achieved excellence and should be recognized. Too many of us, due to our complex society, have lost our

accountability for our performances. It is possible that we have been building and educating toward a "glorification of mediocrity and the neglect of excellence." We must revitalize the regard for "excellent performance" and business should recognize the persons who achieve this goal—no matter in what field they may be active.

It is the Senator's contention that "bigness" is a part of our national destiny and that big business, big government, and big labor are here to stay. However, in this move toward "bigness" the means and techniques must be developed which will prevent individuals from being lost in the shuffle. Moving in this direction the 85th Congress established the Small Business Administration as a permanent agency and increased its lending authority. This, of course, will aid the small businessmen in our nation.

**F**URTHER emphasizing the businessman's responsibility to the nation, Senator Randolph said:

Let me emphasize once again the potential power the businessman has for exerting his influence far beyond the range of the activities of buying and selling and of producing and distributing goods. For the men of commerce and industry are the ones who control the material resources of our society; morally speaking, these resources are held not in fee simple but in stewardship—a stewardship which carries with it the responsibility to see that these material resources are used to assure the widest possible benefit, both materially and spiritually, for a free society. It is within your power if you but will it.

He emphasized that the huge potential for growth in America, and the interrelating responsibility of business and government must be recognized. The Senator's

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remarks formed a most illuminating investigation of the basic philosophy and motivating power which have produced American government and business. His realistic look at our institutions, his frank

appraisal of our standards of self-evaluation, and his reminders of the responsibilities of business and government to the nation, provide us with a sharp glimpse of our dynamic nation.

## EEI Sales Conference

THE Edgewater Beach Hotel in Chicago, Illinois, was the scene of the twenty-fifth sales conference of the Edison Electric Institute. The March convention heard a large number of persons representing the varied complex of the electrical industry. Publishers, representatives of power companies, engineers, architects, agricultural experts, and sales managers spoke regarding the impact of electricity on their particular fields, of future development, and of past accomplishments.

One of the more novel uses of electricity in agriculture was outlined by Ralph Bowen, farm electrification engineer for the Wisconsin Electric Power Company, in a speech entitled "Heat Lamps in the Milking Parlor." Mr. Bowen outlined the problems associated with heating milking parlors with conventional gas heaters and he pointed out that such units were costly to operate because of the constant opening of doors; moving air, due to circulation, tended to have a cooling effect on the operator; it is impossible to confine the heat to the operator's area and as a result the cows were also subject to increased temperatures. Mr. Bowen and assistants tackled the problem of supplying some sort of satisfactory heat through the use of radiant heat projected from heat lamps.

Radiant heat produced by such lamps will warm everything the rays touch and nothing else. Thus, heat is confined to a specific area, drafts are not created, and warm working areas can be had without

heating the entire building. In an experiment, a farm milking parlor was heated by use of 36 heat lamps suspended from the ceiling in a continuous strip. These bulbs were wired in circuits so that they could be switched on in three steps—12 lamps for cool days, 24 lamps for cold days, and 36 lamps for days when the temperature was below zero. In a 62-day test period (during which the temperature fell below zero on five consecutive days) the cost for heating was \$15.66. This figure represents adequate heating as well as lighting for the milking parlor. It was suggested by Mr. Bowen that this type of heating might well be utilized in showers, basement laundry rooms, roadside stands, and bathrooms—all places where specific areas of heat are needed without the creation of drafts and without the necessity of heating a large volume of air.

W. J. RIDOUT, JR., editorial director of the magazine *Electricity on the Farm*, gave a summary of electrical sales and their benefits to farms. He pointed out that it was no small problem to convince farmers that electricity and mechanization would be beneficial and that farmers did not actually accept general electrification until just prior to 1940 when, as a result of World War II, labor began to be scarce and expensive. The dairy farmers, representing 12 per cent of the national total employed in agriculture, have received multitudinous benefits as a result of their acceptance of farm electrification.

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Dairy farmers must handle about four tons of material for every ton of milk that is produced, or about 20 tons of material per cow per year. Silo unloaders, barn cleaners, elevator conveyors, and pipeline milking have made it possible for the dairyman to increase the size of his herd from 20 cows per man in 1933 to about 100 cows per man in 1958. This increase in volume of milk is reflected in increased electrical usage. Not, as might be supposed, through the use of more electrical appliances, but through the use of kilowatts to cool the additional milk produced and through the use of electricity for water heating and feed processing. Ridout stated:

Actual records for a group of typical midwestern dairy farmers indicates an annual kilowatt-hour revenue per cow in 1933 of \$4.50. And in 1958 on these same farms the annual revenue per cow rose to \$13.50. Exactly three times as much!

**T**HE poultry industry, by the use of mechanical feeding, watering, and litter removal, has enabled one man to handle 40,000 broilers per day. Contrast this with the 5,000 chickens that could be tended by the same man before the use of electricity was general on the farm. The poultry industry alone buys more than \$75 million worth of equipment to meet the demands of production.

Irrigation of farm land also provides a great market for electricity and equipment. In areas such as California, non-irrigated land produces a gross income of about \$30 per year per acre as compared with \$280 in income from irrigated land. In addition to the tremendous kilowatt-hour consumption by the farms of America these same farmers in 1958 bought \$825 million worth of electrical equip-

ment. In summation, Mr. Ridout said:

Since 1933, this businessman, the farmer, has doubled his production per worker. How has he done this? Through good management and mechanization. The two go hand in hand.

**W**ESTINGHOUSE ELECTRIC, which has been actively sponsoring awards and providing special assistance in the field of 4-H farm and home electrification for twenty-four years, was represented by Drayton Heard, Jr., manager of that company's power use section. He stressed the importance of educational programs in electricity in view of the renewed emphasis on scientific education. More than 140,000 Americans between the ages of ten and twenty-one are participating in electrical training programs, sponsored by the 4-H clubs and through the assistance of groups such as Westinghouse. He stated:

Farm youth must be prepared to understand the new and wider uses of power, the new electrical machines, the modern and radically different appliances that are coming. Many of today's 4-H'ers will be the career farmers of tomorrow who will stand to profit by the wider use of electric light, heat, and power.

The "Learn by Doing" concept of the 4-H club programs will form valuable steppingstones to broader careers in the atomic and space age. Mr. Heard listed the various awards and grants made to students under his company's program. He also announced two new publications designed to aid 4-H club leaders and members. "*The 4-H Club Leader's Idea Book*" is designed as an instructional guide for leaders who must direct projects in the field of electricity. It discusses the building of electrical equipment, maintenance, preparation of exhibits, and the

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conducting of field trips, etc. A new series of guide sheets were to be supplied by Westinghouse, and these have been designed to keep boys and girls interested in electrical programs throughout their teens. These guide sheets are instructional material related to electrical projects and will include complete instructions and drawings.

The aid given agricultural extension services and the 4-H clubs by Westinghouse should certainly provide a broad base for understanding the electrical industry and its technical possibilities. It should also provide a long-term supply of engineers and persons who will realize the capabilities of electricity on the farm and will make the fullest use of mechanization.

**A**NOTHER representative of the Westinghouse Electric Corporation was W. H. Loeber, who announced that his company would begin stressing the "total electric home." This "total electric home" would be the residence which had not just a number of electrical appliances, but the home which would be completely electrified—weather control, food preparation, laundry and drying equipment, entertainment facilities, etc. This "total" concept will be outlined in a three-page advertisement which will appear in *Life* magazine on June 22nd.

At the moment the average home uses 3,300 kilowatt-hours of electricity a year. The average "total electric home," Mr. Loeber estimates, would use eight to ten times that amount. Such plans, it was stressed, must be carefully co-ordinated with utility companies and builders and in an effort to be of service in this field Westinghouse has established a new total electric home department.

Wagner, vice president in charge of sales for the Wisconsin Electric Power Company, was an outline of the growing problem associated with the servicing of electric appliances. Mr. Wagner quoted from *Redbook*, *Sales Management*, *Changing Times*, *Time*, and *Reader's Digest*, to illustrate the current publicity that the servicing of appliances is receiving. The appliance repair man has gained a special place in American folklore. However, Mr. Wagner warned that this "special place" is not always one of merit. The Association of Edison Illuminating Companies several years ago established a committee to make recommendations regarding the servicing of appliances.

**F**OUR steps designed to remove bottlenecks in servicing were recommended. They urged that (1) design should be considered on two levels—customer appeal and serviceability. Illustrating this point Mr. Wagner noted a demonstration in changing a broken belt on two models of an electric clothes dryer. The one model required complete disassembly while the other model, which had customer appeal plus serviceability, only required the removal of a back panel. (2) Increased interchangeability of small parts such as set screws, switches, etc. At the time of the study about 4,000 different items had to be carried in order to service 40 makes and 2,100 models of cooking ranges. (3) Increased training for service personnel. (4) Additional attention and emphasis to consumer education. Mr. Wagner said that all too often the phrase goes "when all else fails, read the instruction book." Anyone who has ever experienced the exasperating failure of an electrical appliance will agree with Mr. Wagner when he says:

All of us—manufacturers, dealers, and utilities—can advertise all we want

**"T**O SERVE OR NOT TO SERVE—THAT IS THE QUESTION" by William H.

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about the wonderful new electric appliances, but our customers will not buy them if they have too many experiences of not being able to keep previously purchased appliances operating.

By an increased attention to the Association of Edison Illuminating Companies' four-point program increased good will could be built up for the electrical utility companies, the appliance dealers, and the repair men who must ultimately deal with the public.

**T**HE importance of the industrial salesman in tomorrow's market was discussed by Milton I. Allen, vice president of the Philadelphia Electric Company. He stated that the industrial salesman of thirty-five years ago was a man who was primarily concerned with increasing the kilowatt load. In all probability he was not an engineer and he had come up in the industry the "hard way." Following this initial period the industrial salesman was forced to become proficient in such diversified fields as the application of electricity to heating, air conditioning, cooking, display lighting, and the young field of electronics. World War II produced a spiral of activity and the salesman was often faced with the inability to supply products, due to shortages and increased loads. Few salesmen had the time or the products to investigate new or additional fields for their wares.

The nature of industrial sales in the electrical industry demands that the electrical load should be doubled every eight or ten years. About 53 per cent of the total kilowatt-hours sold are taken up by industry and 36 per cent of the revenue derived by management comes from this source. Thus, the industrial salesman has achieved new importance and status in the industry. Allen commented:

The stature of the industrial salesman has grown tremendously in the last few years. In the years to come, it must continue to grow in added importance. In addition to his regular obligations, he must be a consultant, technical adviser, and teacher in the new applications in industry which must still be developed.

Today the industrial salesman must know his customer's problems. Knowledge of an industry's "peculiar" technical problems can only be gained by observing the industry in operation. The technical press can also be an adjunct to this type of information.

**A**N understanding of the human relations factor is a must for the efficient industrial salesman. Industry has realized that keeping employees content and healthy results in profit-making advantages for management. Industry is now cognizant that employees must "want to work" and that ultimate profits depend on this factor. Allen stated:

Such a situation opens up to the industrial salesman problems in selling which formerly had little significance, because he no longer is limited to considerations which relate only to technical performance. If in what he promulgates and proposes he can show where improved operations will come from greater satisfaction and comfort to the worker, he can thereby show advantages in economy.

The salesman of today must not only be concerned with "taking an order." He should be prepared to put forth persistent effort to discover unrecognized needs of an industry—needs which, when satisfied, will produce increased profits for his customer. By such creative suggestions the

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salesman will place himself in a preferential position for future transactions.

It is necessary that today's industrial salesman be a man of good appearance and personality with the attributes of persistence, good education, and energy. In short, he must be of the highest "leadership type" available.

**I**N an address entitled "Selling Power for American Progress," J. E. Corette, president of the Montana Power Company and retiring president of the Edison Electric Institute, emphasized that sales representatives must sell the American system of free investor-owned enterprise as well as selling their product. Mr. Corette stated that in 1958 more kilowatts of generating capacity were installed than existed in 1920.

The 1958 recession caused a 30 per cent drop in corporate profits; however, earnings of the investor-owned electric companies were better, as a whole, than in 1957. This same year saw the addition of approximately one million new customers. The progressive electrical companies have also made great strides in the adaptation of nuclear power for the generation of electricity. One hundred thirty-one utility companies were participating in one or more of the 26 nuclear power, research, development, and construction programs under way at the end of 1958.

Mr. Corette looks forward to 1959 as a year of steady growth with increased sales. He cautioned that increased residential growth does not automatically occur. Sales will be in direct proportion to the increased effort on the part of the people who are selling electricity for residential use. The atmosphere of "free en-

terprise" which the utility companies flourish in is rapidly disappearing, and the competition of the federal government is pushing the investor-owned company out of the field. In 1932 government-owned and -operated electric generator plants comprised only 7 per cent of the nation's total—by 1957 this figure had grown to 25 per cent of the total. Corette declared as follows:

The two largest producers of electric energy in this country are the Tennessee Valley Authority and the Bonneville Power Administration, both owned and operated by the federal government.

The federal government now owns and operates 97 hydroelectric installations and 15 steam plants. On January 1, 1959, the combined installed generating capacity of these plants amounted to 20,436,000 kilowatts.

Mr. Corette feels that it is the duty of the industry to sell the American public on the advantages of the privately owned power companies as opposed to the government-owned power projects. He feels that this type of salesmanship is as important as the effort which is put forth to sell power itself and associated merchandise.

**T**HE scope of Edison Electric Institute's conference is pointed out not only by the varying occupations of the speakers but also by the wide and varied subject material which was covered. Street and highway lighting, electric space conditioning, public relations, and research in the electrical field were some of the numerous subjects which were presented during the three-day conference.



## The March of Events

### Methane Gas Forecast

FEDERAL Power Commissioner William R. Connole, according to an Associated Press report of April 28th, foresees a bright new chapter in the fueling of many population centers and an entire new branch of the petroleum industry. He said tanker transportation of liquefied gas will bring such a change about. "It could modify the use pattern of energy throughout the entire world," Connole stated.

He predicted that methane gas—gas of organic origin that is now going to waste in vast quantities in many parts of the world—will come into the United States in liquid form within the next five years.

### Louisiana Gas Bid Inaccurate

THE Southern California Edison Company had made no specific bid to purchase pipeline gas from the Bastian Bay field in Louisiana. Through a confused report of testimony before the Federal Power Commission by the Gulf Oil Corporation, it was erroneously stated in PUBLIC UTILITIES FORTNIGHTLY, issue of April 23, 1959, page 647, that Southern California Edison had offered a price of 27 cents.

A company spokesman said that any offer made would be substantially below that figure.

## Connecticut

### Annual Bus Subsidy

A SPECIAL committee, which has been studying bus operations, has recommended that the Connecticut legislature vote a \$250,000 annual subsidy program for bus companies. This subsidy would take the form of exemptions from payment of the state gasoline tax. In return

for this exemption the committee urged that the bus companies be asked to promise to maintain service at present levels for at least two years.

The committee pointed out, based on its findings, that unless some sort of aid was given to the bus companies, they would be forced to abandon more and more service.

## Florida

### Electric Rates Cut

THE Florida Railroad and Public Utilities Commission has ordered the

Florida Power & Light Company to cut its rates by \$2,864,000 annually. Company president, Robert H. Fite, stated that probably no appeal would be taken.

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The rate decrease is an outgrowth of a 1957 rate change when the commission ordered Florida Power & Light to cut its rates by \$4,750,000 a year. At that time the commission reserved the right to look at the utility's fuel costs at a later date

and to make changes in the rates if fuel costs declined.

"This order is apparently tied in with the savings we've been able to effect in our fuel costs through more efficient generators," Fite related.

## Georgia

### Hydroelectric Survey Sought

**T**HE Georgia Power Company has filed a preliminary application with the Federal Power Commission for permission to make surveys and to conduct investigations as to the feasibility of joint development with the U. S. Army Corps of Engineers of a large hydroelectric and flood-control project on the Coosawattee river in northern Georgia.

The estimated cost of the project would be about \$38 million, based on 1956 prices. The Georgia Power Company, which owns about 4,600 acres of land re-

quired for the dam and reservoir, has suggested that the Army Engineers build the dam—the land being transferred to the federal government—and that the company build the hydroelectric installation.

Georgia Power pointed out that the hydroelectric power from the proposed Coosawattee dam can be utilized more efficiently if delivered to the company's statewide transmission system than if distributed in any other manner.

The proposed development would be located in Murray and Gilmer counties, near Carters and Eillijay.

## Louisiana

### Rural Electrification Leader

**A**CCORDING to David M. Askegaard, REA operations service chief for the southwest area of the country, Louisiana leads the southland in rural electrification. Askegaard told delegates to the Louisiana Electric Co-operative Association meeting in New Orleans recently that this achievement was due largely to the tremendous industrial expansion which has been and is taking place in the state.

In 1935, he said, only 2,826 farms, or 1.7 per cent of all farms in the state, were receiving central station electric service. Today 107,750 farms, or 97 per cent, are being serviced. Of these, the REA operations head declared, 52.7 per cent are being served by REA co-ops. These co-ops have borrowed more than \$66 million to build 26,495 miles of line and other elec-

tric facilities which serve 140,995 customers.

Most of these facilities are now in operation.

### Gas Rate Hike Asked

**U**NITED GAS PIPE LINE COMPANY has applied to the Louisiana Public Service Commission for an annual rate increase for natural gas amounting to \$2,947,924. This applies to the New Orleans zone of the company's operations.

More than \$2.8 million of the amount would be paid by the New Orleans Public Service Company, Inc., and Louisiana Power & Light Company. The rate increase amounts to an average of 43 per cent, and the hike to typical residents of New Orleans would amount to about \$2.50 a year. Large industrial consumers

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would suffer most. They now pay a composite price of 12 cents per thousand cubic feet. Under the new rates proposed they would pay 19.7 cents, an increase of 64.1 per cent.

United Gas in its application maintained that the new and higher rate schedules were necessitated by increased cost of rendering service and particularly because of increased cost of purchased gas.

### Maine

#### Rate Appeal Dropped

THE Bangor Hydro-Electric Company has decided to drop its appeal of a rate decision handed down by the Maine Public Utilities Commission. This decision ruled that although Bangor Electric did not take advantage of accelerated tax depreciation in computing federal income tax, it must apply its rates as if it did.

The net result was a cut of \$175,000 a year in the company's operating expenses with an allowed rate increase of \$365,000.

In commenting on the company's decision, the commission said that "since the ratepayer in fact pays taxes through his rates, it was the duty of the utility to minimize taxation by all means legally possible."

### Missouri

#### "No New Starts" Assailed

THE Missouri River States Committee, composed of river states governors or their representatives, unanimously approved a statement drawn up at a recent meeting that demanded orderly development of the \$5 billion Missouri basin program started in 1955. Its purpose was to express dissatisfaction with the administration's "no new starts" policy and Representative Cannon's (Democrat, Missouri) stand on the subject. Cannon is

chairman of the House Appropriations Committee. In basin states, it was reported there have been 12 projects stalled by this save-money edict of the President. To begin them would require \$12 million.

Projects of interest to the governors of the Missouri basin states are the Wilson, Milford, and Fort Scott reservoirs in Kansas, Rathbun reservoir in Iowa, and flood-control projects at Lawrence, Kansas; Gering, Nebraska; and Salt Creek in Nebraska.

### Tennessee

#### Dam with Big Potential

A RESEARCH study made by the Midwest Research Institute of Kansas City, Missouri, indicates that construction of the planned Melton Hill dam on the Clinch river in Tennessee may prove more important than the atomic industry to the growth of Oak Ridge. Harnessing the Clinch river with the dam will provide vast quantities of water for industrial processing and cooling, the report asserted.

Melton Hill dam is in a preliminary planning stage by TVA. Actual construction must wait for an appropriation by Congress towards its estimated \$35 million cost.

A powerhouse of 750,000 kilowatts capacity would be a part of the proposed dam. Up to now Congress has authorized only \$50,000 for the dam and only \$200,000 more is being recommended by the President in the next federal budget.



## Progress of Regulation

### *Trends and Topics*

#### Customers Lack Constitutional Right to Attack Rates Fixed by Lawful Representatives

THE United States Supreme Court, March 23, 1959, dismissed an appeal from the California supreme court, which (without a written opinion) upheld the right of the commission to grant so-called "interim increases" to telephone companies without formal notice or hearings (3 L ed 2d 674). The Supreme Court held that no "substantial federal question" was raised. This presents a question as to constitutional rights of utility patrons, which has received some attention in several cases. The commission in this case had ruled that individual citizens could not properly claim that they were constitutionally guaranteed notice or hearing when their own representatives enacted laws fixing or increasing rates.

The philosophy back of this reasoning seems to be that utility companies are compelled by law to serve and, therefore, must be allowed reasonable rates, fixed pursuant to regulatory procedure consistent with constitutional requirements, but that there is no law which compels customers to take service. Moreover, the legislators and the commissioners are their representatives.

#### *No Constitutional Protection of Customers*

Neither a city nor its citizens have any right of property protected in rate cases by the Fourteenth Amendment to the federal Constitution, it has been said (55 PUR NS 214). The Minnesota supreme court, in upholding an order increasing telephone rates, said that rate making is a legislative power, and rates fixed by legislative authority may be charged at the legislative will. The court said that "no vested rights exist in rates so established" (PUR1925E 694).

A federal court, reversing a lower court decision on the right of a customer to service under a rate established in New York, laid down the rule that a consumer or prospective consumer of gas has only such right as the state regulatory law gives him to complain of charges or service. As a general rule, a seller may

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fix the price of his product at what he pleases or dispose of it at any price, but, after the business becomes subject to the regulatory law, the utility must submit to control by the commission. But a citizen, the court continued, "has no vested rights in statutory privileges or exemption." A customer has no property rights affected by a statute forbidding a service charge. The right to service exists only because of the statute. It is not such a property right as may form the basis of a claim for confiscation or discrimination (PUR1931B 127).

The New York supreme court, in 1947, dismissed a complaint against alleged discrimination in electric rates on the ground that the commission had jurisdiction over the questions presented and that rates filed with the commission must be attacked in the first instance before the commission. The court then said that the customer had no vested right to utility service or to any particular rate except to the extent that the Public Service Law granted him such right. He was not entitled to invoke his constitutional guaranties of due process or equal protection (69 PUR NS 108). A New York court, in a decision upheld by the state court of appeals (287 NY 803), said that a claim of confiscation was entirely irrelevant. Hotel telephone rates were involved, and the court said that a hotel "acquires no property right in utility service which it is not required by law to furnish" (40 PUR NS 511).

The Alabama supreme court, in affirming the dismissal of an appeal from a commission order reducing telephone rates, where a city contended that the reduction was insufficient, said that resort to the courts is to confine the legislative power within constitutional bounds and that rate making is a legislative and not a judicial function. The city insisted that a rate that is too high confiscates the subscriber's property and interferes with his liberty, and that a constitutional question is as much presented on the part of the subscriber as on the part of the utility when the rate is too low. This argument was said to be ingenious, but not sufficiently persuasive. The court said that if such a theory be accepted, then all rate-making legislation is reviewable and revisable by the courts. The court said that "ours is a representative form of government, and the legislature represents the people of the state who are subscribers to telephone service." The court quoted with approval an early decision, in 1906, in New York (100 NY Supp 570, 577) where it was said that the customer's personal liberty had not been invaded because he was under no obligation to purchase gas (21 PUR NS 36, 43).

It was argued in a case before the Illinois supreme court that a certain charge, including franchise costs, resulted in a denial of due process to residential and house-heating customers of a gas company. The court held that there was no confiscation of property within the meaning of the due process provision of the Constitution. The court said further, however, that the point urged as a denial of due process was not placed in issue before the commission and could not be raised for the first time in the court (13 PUR NS 441).

### *Customer's Right to Notice*

The question of notice arose in a case before the Washington supreme court in which it was held that the commission could terminate contract rates. A

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customer asserted that a termination of the contract by the commission without notice or a hearing would not be in harmony with the due process of law clause of the federal Constitution. This position, said the court, overlooked the fact that the commission did not terminate the contract but, as authorized by statute, ordered the company to terminate it. The company had notified the customer that water would no longer be furnished under the contract rate but would be charged for at the tariff rate. The customer brought an action to test the validity of the contract. The cause was tried and a full hearing afforded. This was due process. The commission was not required to give notice to the holder of the contract before it could direct the utility company to charge all consumers at the tariff rate (PUR1916F 437).

The California supreme court, in dismissing a proceeding to review a rate order in 1916, upheld the commission's right to set the effective date of an approved rate and indicated that the many customers of a public utility could not expect the notice which a regulated company could require. The court said that where a public utility seeks a rate increase "every consumer is as much a person complained of as is any other." The court said that if a contention as to notice was sound, an order authorizing an increase of rates would not be effective until twenty days after service of the order upon every consumer (PUR1916F 469).

The Minnesota supreme court upheld the statutory power of the commission to sanction new rates proposed by a telephone company without formal notice of hearings and taking of testimony if satisfied that the rates were just and reasonable. The commission, representing the public and the telephone company, had the right to compose and end a controversy over rates. The court said that when it was conceded that the company accepted the rates fixed by the commission, it could raise no question as to their being unreasonable or confiscatory, and as to users and patrons "the patrons or users of the company's services have no vested rights to any fixed rates." The commission represents the public (34 PUR NS 144, 150).

### *The Opposite Viewpoint*

In one of the few cases where constitutional rights of customers were cited, the Missouri commission said that the exercise of power crystallized into legislation that unjustly discriminates between users of water, in effect, deprives those discriminated against "of the use of their property without adequate compensation or due process of law." It was said to be in essence a species of taxation which takes the private property of the general or public metered water users for the private use of metered water users engaged in manufacturing (PUR1917B 576).

The Indiana commission once said that while an inadequate rate confiscates the property of the utility, by exactly the same rule of law an excessive rate confiscates the property of the utility patron. An excessive rate "takes the property of the patron without due process of law just as effectively as an inadequate rate thus takes the property of the utility." The utility patron is entitled to have his property protected from confiscation to exactly the same de-

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gree as the utility operator. If not, then he fails of the equal protection of the law guaranteed by the Fourteenth Amendment (PUR1925B 114).

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### *Review of Current Cases*

#### Telephone Rate Appeal Brings Rulings on Taxes, Working Capital, Construction Interest, and Donations

ON most points of contention, the Delaware supreme court upheld The Diamond State Telephone Company in its appeal, through a lower court, from a commission rate order. The company took exception to the commission's rulings on cash working capital, income taxes, interest on plant under construction, and charitable contributions.

##### *Cash Working Capital*

The commission had disallowed the company's claim for cash working capital, pointing to three sources of customer-provider funds which amply covered the working capital requirement. These funds included customers' deposits, advance billings and payments, and accrued taxes.

Since the company pays 6 per cent interest on customers' deposits, this fund is, in effect, borrowed money and not a proper offset against working capital, the court pointed out. Only an insignificant part of advance billings and payments appearing on the books represented cash actually collected. Besides, there was a 25-day lag between the rendition of service and the payment of bills. No offsetting time lag in the payment of the company's bills was shown. In rejecting the commission's position on this fund, the court noted that working capital contemplates cash, not accounts payable.

Accrued taxes was another matter. There is an important time lag between the collection of the tax and its payment;

and the company holds, throughout the year, a substantial amount of cash derived from this source. If the amount of such cash never falls below the cash working capital requirement, said the court, there would be no need for the ratepayers to supply such capital. The court, therefore, sustained the disallowance of cash working capital if the commission should find, on remand, that the company's tax accruals never fell below the level of the cash requirement during the year.

##### *Actual Income Tax Allowed*

Diamond State participates in a consolidated income tax return filed by American Telephone and Telegraph Company and pays as its share of the total tax the amount it would pay if it filed a separate return. In view of the company's debt ratio of 7 per cent, as compared with the system average of 34.5 per cent, the commission had adjusted the tax payment downward, for rate-making purposes, to reflect the tax liability at the level of the system debt average.

The court held that the commission cannot thus arbitrarily disallow actual expenses on the theory of reforming the company's capital structure. Nothing appeared in the record to indicate that the parent company had abused its control or had been guilty of any wrongdoing adversely affecting subscribers. Even if it be assumed that management forces the company to pay more for its capital than is

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fair, because of the higher cost of equity capital than of debt capital, this fact had already been taken into account by the commission in fixing the rate of return. For that purpose, it had assumed debt capital of 35 per cent.

Nor does it follow, said the court, that because a hypothetical debt ratio may be used in fixing a fair rate of return, it may also be used to disallow tax expense actually incurred. The commission cannot thus indirectly control the fiscal policies of the utility. The exercise of judgment concerning financial affairs is exclusively within the sound discretion of the corporate directors.

### *Interest on Construction*

Although the commission had allowed as a part of the rate base the amount of plant under construction at the mid-point of the test year, it had credited revenues with all interest on plant under construction accrued from time to time during the entire test year. The company contended that interest should be credited to revenues only on the amount of construction actually included in the rate base.

On this point the court sustained the company, describing the commission's

method as one-sided and unfair. If revenues are to be credited with all interest during the test year, then the entire year should be taken into consideration in determining the amount of plant under construction. Interest on construction is not revenue in a real sense. It is merely an accounting device to avoid duplication of earnings on the amounts invested in plant under construction and is, therefore, directly related to the amount of plant under construction included in the rate base. Nor was the decision of the commission on this point a matter peculiarly within its discretion. It was a question of basic fairness in the use of accounting principles, said the court.

### *Charitable Contribution Allowed*

Also disallowed by the commission were contributions to the Red Cross and the Community Chest. The justification for this action was that the ratepayer should not be forced to contribute to company gifts. The court ruled that modest contributions to important local charities, made to preserve community good will, should be allowed as an operating expense. *Re The Diamond State Teleph. Co. No. 49, March 17, 1959.*



## Reproduction Cost Rejected as Sole Criterion of Fair Value in Telephone Rate Case

**D**IAMOND STATE TELEPHONE COMPANY has obtained a new rate increase from the Delaware commission, little more than a year after the last increase. Only about a third of the requested increase was granted, however. Despite Diamond State's claim for a rate base of \$44.5 million, the commission fixed the fair value of the company's property at \$40 million. In the previous case the rate base was \$5 million less than this figure.

It was stipulated on the part of the com-

pany and the commission staff that the conditions affecting the fair rate of return were substantially unchanged since the last proceeding. The same rate of return previously allowed was, therefore, applied in this proceeding.

### *Elements of Fair Value*

The company urged, in effect, that reproduction cost should be adopted as the sole criterion of fair value. The commission rejected this view, pointing to a statu-

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tory provision which authorizes the commission to take into account in determining fair value "every fact, matter, or thing which, in its judgment, does or may have any bearing on such value," and which further authorizes it to consider original cost, together with reproduction cost. The concept of value obviously embraces the desirability of ownership of the whole and is not necessarily the sum of the costs of the constituent parts, said the commission. Consequently, it cannot be argued that a single standard is entirely conclusive.

### *Reproduction Cost Study*

A reproduction cost study as of the end of 1957 was presented, using, in general, the same methods in this study as were used in the previous rate proceeding. They were described as the book cost method, the index method, and the principal item method. The first method assumed that reproduction cost was identical with book cost. The second applied price indexes to book cost of plant so as to raise book cost to present-day price levels. The third consisted of repricing, at present-day price levels, selected items representing over 80 per cent of the book cost of the entire account. The ratio of the repriced items to their estimated book cost was then applied to the entire account in order to trend book cost up to reproduction cost level.

Aside from some differences between the company and the commission on economies that would be realized in an actual reproduction of plant, labor productivity, indexing and weighting, and a tax question involving Western Electric Company's profits, which items tended, in the commission's opinion, to overstate reproduction cost, the commission regarded the company's reproduction cost study as "carefully and intelligently made," employing many of the best methods used in such studies.

A further difference of view related to an allowance for supersession, a concept which recognizes the fact that an existing plant would be designed differently today because of technological improvements. A witness for the state testified that the company's depreciated reproduction cost should be further reduced for supersession. The company contended that an allowance for supersession would amount to a double deduction for the same thing, obsolescence.

This discount is distinct from the depreciation which results from obsolescence, said the commission. Obsolescence which brings about depreciation applies to full original cost as well as to full reproduction cost. Supersession, on the other hand, applies only to the difference between original cost and reproduction cost. In property where technological improvements have taken place rapidly, as is the case with telephone plant, supersession can erase some of the difference between original cost and reproduction cost.

In keeping with the state supreme court's ruling in the last rate case, the commission disallowed cash working capital in view of the ample tax accruals available for operating use.

### *Revenues and Expenses*

Again, under the ruling of the supreme court in the previous case, the commission allowed interest at 5 per cent on plant under construction included in the rate base. An unusually heavy expense for storm damage was required to be amortized over a period of five years. A modest contribution to the Red Cross and the Community Chest of Delaware was allowed, in accordance with the recent supreme court decision. No adjustment was made in the company's income tax expense to reflect the effect of allocating to subsidiary companies a proportionate share

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of system debt. Such an adjustment was disapproved by the supreme court. *Re*

*The Diamond State Teleph. Co. PSC Docket No. 255, March 23, 1959.*



### Municipal Water Plant's Duty to Serve

THE Wisconsin commission pointed out that the obligations and duties of a municipal water plant toward customers, both present and prospective, differ in no way from those which apply to a privately owned utility.

The obligation of such a municipal plant to furnish water to adjacent municipal utilities for resale is one which is not inherent in the public utility status, but is one which may be assumed by reason of legislative authority and the voluntary acts of the utility.

Any customer lying within the utility's profession of service has a continuing right to receive service, and the utility has a corresponding continuing duty to furnish such service under reasonable terms and conditions. However, the ties that bind the customer to the utility are much less secure. Lacking contract obligations, any customer, be he small residential, large industrial, or a public or private utility resale customer, is free to discontinue service at will. *Re Village of Fox Point et al. CA-3582, March 4, 1959.*



### Natural Gas Production Costs Allocated Wholly to Commodity

THE West Virginia commission authorized Cumberland & Allegheny Gas Company, a subsidiary of Columbia Gas System, Inc., to increase rates, although the new rates were not as high as those proposed by Cumberland. The return allowed in this case was 6.3 per cent on the average net original cost rate base. The commission had recently allowed such a return in another Columbia Gas System case, the United Fuel Gas Company case (27 PUR3d 365).

#### *Allocation Matters*

The first issue discussed was the manner in which the company's production property should be allocated. The company had allocated certain production property and expenses 50 per cent demand and 50 per cent commodity, whereas the commission staff classified these items 100 per cent to commodity. The commission found that the staff's method was the proper one to be followed.

In determining the percentage factor to be used for allocating demand costs, the company used the demand by West Virginia customers on a single peak day, and the staff used the three-day sustained peak. Some customers protesting against any rate increase advocated the use of a peak month in determining the allocation of demand cost.

The state commission found, however, that the three-day sustained peak was more representative of the use of the facilities than the single-day peak or the peak month.

#### *Treatment of Exchange Gas*

Pursuant to an agreement with an affiliate, The Manufacturers Light & Heat Company, Cumberland delivered 4,855,293 Mcf of gas to Manufacturers. A large portion of this gas was obtained from a field which was in no way connected to Cumberland's system but was connected directly to a pipeline owned by The Manu-

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facturers Light & Heat Company. Pursuant to this agreement, Manufacturers also delivered gas to Cumberland principally during the winter peak periods.

The company allocated all expenses associated with the sale to its West Virginia and Maryland customers on a demand and commodity basis, while the revenue was allocated on a straight commodity basis. The commission staff treated the arrangement as a straight purchase and sale agreement.

The commission did not believe that either method was the most equitable. It believed that the company's method ignored the fact that Manufacturers benefited from the arrangement as well as Cumberland did. On the other hand, the staff method ignored the fact that Cumberland received a benefit due to the fact that it was able to dispose of gas that it would not otherwise be able to get into its system and enabled it to receive peak gas from Manufacturers when it was needed.

The commission concluded that the most equitable method would be to treat as ex-

change gas that amount of the gas delivered to Manufacturers that was equal to that delivered by Manufacturers to Cumberland, with the remaining amount being considered as a sale to another jurisdiction.

### *Depreciation Allowance*

The company based its annual depreciation expense on the plant in service at the end of the test period, and the staff used the average plant in service during the test period to accrue this expense. The commission saw no more reason to use the year-end plant to compute depreciation than to establish the return allowance. It observed that the average customers are related to the average plant. It noted also that the company did not attempt to choose the year-end revenue to establish either rate of return or deficiency. The commission concluded that the use of the average plant in service to accrue depreciation expense was the proper method to follow. *Re Cumberland & A. Gas Co. Case No. 4662, April 15, 1959.*



## Petition for Certiorari to Review Rate Order Dismissed

THE New Hampshire supreme court dismissed a petition for certiorari filed to review the commission's action in permitting a water rate increase to become effective as of a certain date. There was no showing of any circumstances which would account for the petitioner's failure to take statutory appeal or any further action until more than four months after its complaint that the increased rates were made effective retroactively had been rejected by the commission. The facts, therefore, did not present such a strong case

and unusual circumstances to induce jurisdiction for review under an extraordinary remedy like certiorari.

Certiorari is available to review administrative decisions, pointed out the court, only where an adequate remedy is not available upon appeal. The legislature had enacted a well-ordered and well-articulated scheme for reviewing commission orders, which should have been followed in the instant case. *Nashua v. New Hampshire Pub. Utilities Commission, 148 A2d 277.*



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### Available Tax Savings under Accelerated Depreciation To Be Considered in Rate Making

**I**N a proceeding on its own motion, the New York commission indicated the policy which it will follow on the question of the tax effects of liberalized depreciation and accelerated amortization, for accounting and rate-making purposes. Effect will be given in rate determinations to actual taxes reflecting the tax benefits afforded by § 167 of the Internal Revenue Code. Income taxes properly assignable to operating income for rate case purposes will be allowed as a part of the cost of service, giving effect to available liberalized depreciation tax deductions. When and if tax changes occur in the future, consideration will be given to revisions in utility rates so as to cover the costs of service then current, said the commission.

No modification of the present accounting systems was found necessary. The income tax account should record, as accurately as possible, the income taxes that will be paid for the period involved. This account should reflect the effect of any tax benefits derived from § 167.

#### *Legislative Mandate*

The commission observed that there is no legislative mandate on how the effect of § 167 should be treated in intrastate accounting or rate matters. The statute requires no impounding and no funding of any tax differential; it contains no requirement that tax benefits be used for capital purposes; neither regulated nor nonregulated industry is required to retain the benefit; there is no prohibition against passing on part or all in the form of lower rates by utilities or lower prices by nonregulated industry.

Except under the most extraordinary conditions, use of § 167 benefits by utilities will result in a continuing tax reduction each year, other tax elements remaining

the same, it was noted. The commission rejected the proposition that failure to normalize taxes would result in a benefit to present customers at the expense of future customers who theoretically would have to pay a higher tax when the depreciation deduction falls below what it would be if the straight-line method were applied.

The effect of accelerated depreciation on future taxes cannot be determined in the present since they will be affected not only by the depreciation allowance but by operating expenses, gross income, the tax rate, and by additional construction of plant.

#### *Duty to Minimize Taxes*

While the ratepayer actually bears the brunt of a utility's taxes, the utility has a duty to minimize this expense to the extent that the income tax laws permit. The commission pointed out that, although the method of depreciation for tax purposes is peculiarly a managerial function, nevertheless, the utility's actual practice in this respect will be considered in rate determinations.

The intent of § 168, the commission indicated, was to permit amortization for tax purposes, over a five-year period, of facilities which would have little value beyond that period. Accelerated amortization of only a portion of the cost of such facilities is allowed, however, so as to recognize to some extent the actual continued use of the facilities beyond the five-year period.

To the extent that the utility is relieved of providing other financing by reason of the income tax aspect of accelerated amortization, there is a resultant effect upon its cost of capital. The commission indicated that it would consider the effect of accelerated amortization upon the rate

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of return necessary to assure adequate utility service.

### *Appropriate Accounts*

While the use of accelerated amortization results in a deferment of taxes, the extent of such deferment cannot be determined in advance. The income tax account is not the one in which to record any attempt at "normalization" or "equalization." Aside from this account, which should accurately record the tax to be paid in the accounting period involved, the commission noted that there are other accounts which may be used in order that financial statements may not be misleading because of abnormalities occasioned by accelerated amortization. They are: Account 538, "Miscellaneous Income Deductions," Account 540, "Miscellaneous Reservations of Net Income," Account 413, "Miscellaneous Reservations of Surplus," and Account 414, "Miscellaneous Debits to Surplus."

The commission favors the use of Ac-

count 538, with subsidiary records to show at any time the status of each specific emergency facility. It also favors generally the spreading of the amounts accumulated during the amortization period, for each certificated facility, over the remaining estimated service life of the facility. No tax differentials occasioned by § 168 should be charged to the income tax account. Such differentials, unless otherwise specifically permitted, do not constitute free surplus and are not available for dividends.

### *Straight-line Depreciation*

Depreciation for any purpose is not a precise science. It necessarily involves opinion and judgment. The commission indicated that it favors, for accounting and rate case purposes, the straight-line group method of estimating the accruing depreciation of utility plant and the consistent accrued depreciation. *Re Niagara Mohawk Power Corp. et al. Case Nos. 15870, 17818, March 30, 1959.*



## Holding Company Exemption Considered in Light of Merger Agreement

THE Securities and Exchange Commission, in granting an exemption application filed by Central Public Utility Corporation subject to certain conditions, considered a merger plan involving the applicant. The company had disposed of all its domestic public utility subsidiaries. Its holdings consisted exclusively of domestic nonutility subsidiaries and of public utility subsidiaries operating outside the United States. Therefore it was clear that the company met the exemption requirements of paragraph 5 of § 3(a) of the Holding Company Act.

The commission pointed out, however, that under the "unless and except" clause of § 3(a) each request for exemption must

be scrutinized in the light of the public interest and the interest of investors and consumers. In this case there were no domestic public utility consumers. Since the imposition of conditions in granting the exemption protected the public interest there remained the problem of protecting the interest of investors.

### *Interest of Investors*

The company recognized that since the nature of its functions was to be drastically altered by its merger with industrial interests the present security holders should be given an opportunity to withdraw from the enterprise at an appropriate price. The price proposed was \$28 per share. The

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commission said that in a proceeding under § 11 of the act it must find a plan to be fair and equitable to the persons affected thereby, and normally such a plan is in force regardless of the desires of the security holders. On the other hand, in considering whether the company should receive the requested exemption there is no specific requirement that an offer such as proposed by the holding company need be fair and equitable.

Accordingly, the commission did not believe it was required to find the investment value of a share of the company's stock so as to compare it with the cash alternative of \$28 per share. Rather, it said, all it needed to determine was that the cash alternative, which might be accepted upon a voluntary basis, was not so unreasonable as to necessitate a finding that the granting of the exemption upon the representation that such a payment was to be available thereafter would be inappropriate as detrimental to the interest of

investors—either those who elected to accept the offer or those who decided to remain with the enterprise.

After considering all of the evidence relating to the value of the stock, particularly the arm's-length nature of the bargaining which had taken place, the commission found that the proposed cash alternative of \$28 per share was not unreasonable.

The company had agreed to a condition that the exemption would automatically terminate if the contemplated merger was not effectuated within a specified time limit, and also that such merger would constitute a change in circumstances within the meaning of § 3(c) of the act. It was in view of the company's acceptance of such conditions that the commission concluded that the exemption was not detrimental to the public interest or the interest of investors. *Re Central Pub. Utility Corp. File Nos. 31-626, 59-40, Release No. 13970, April 4, 1959.*



### Restoration of Proper Equity Ratio Necessitates Prompt Rate Increase for Electric Company

THE District of Columbia commission approved a request of Potomac Electric Power Company for a rate increase sufficient to bring its rate of return up to the level authorized in a 1955 rate proceeding. The rate of return at that time was fixed at 5.85 per cent based on an end-of-period net investment rate base. Only 5.22 per cent was earned on such a valuation for the year 1958, with 9.65 per cent earned on equity capital. Since the last rate case, the company has experienced appreciable increases in operating costs and has added a substantial amount of new plant at high current prices.

The commission agreed with the company that its revenue requirement and return should be determined on a system-

wide basis. Potomac Electric serves the District of Columbia and parts of Maryland and Virginia. Its entire service territory is a homogeneous and metropolitan area. Plant investment has been made on the basis of system-wide needs, and operations are conducted on the same basis without regard to geographical boundaries.

#### *No Emergency*

The company sought the rate increase as emergency rate relief, whereupon it would be entitled to apply again, as it indicated it would, within the year for a regular rate increase. Consequently, in this proceeding it did not contest the commission's former rulings on rate of return or the net investment rate base. Nor were any

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changes claimed in the area of operating expenses. Urgency was predicated upon the company's need for further additional financing in connection with a large construction program.

But the commission would not go along with the emergency relief contention. It believed the present level of earnings did not demand emergency relief. A company witness testified that earnings were not sufficient for 1957 and 1958 to permit the issuance of additional common stock. As a result of substantial financing during the past two years, primarily through the use of debt securities, the equity component in the capital structure had declined from 38.7 per cent at the end of 1956, to 30 per cent at the end of 1958.

The witness pointed out that a substantial portion of the \$31 million of additional capital needed in 1959 must be raised through the issuance of common stock if a reasonably balanced capital structure is to be maintained. With earnings already low and declining, it appeared that a large part of outstanding debentures would be converted into common stock in April, 1959. The commission staff agreed that the equity ratio of Potomac Electric had reached a "dangerously low level" and that improvement in the equity component of its capital structure was necessary. The staff denied, however, that the company had properly calculated its return for 1958 on an end-of-period rate base.

On this point the commission sustained the staff. An end-of-period rate base is used as a compensation against attrition resulting from increased operating expenses and the addition of low-cost plant at high present prices. But in computing the actual return for a past period, an average rate base should be used. The return for 1958 on this basis was calculated at 5.79 per cent, rather better than the 5.22 per cent based on the end-of-period valua-

tion. Nevertheless, additional revenues were recognized to be necessary for successful equity financing in 1959.

### *Rate of Return Allowed*

The commission had no difficulty in allowing the rate of return which it had allowed in 1955. Arguing that a reasonable rate of return established in 1955 would not determine what would be reasonable at present, the company presented evidence to show that costs and economic conditions in general did not warrant a reduction in the rate of return.

The cost of living in the Washington area had increased 7 per cent since 1955; the company's wage levels had increased 19 per cent; its construction cost index had increased approximately 17 per cent; its cost-of-debt capital had increased from 3½ per cent to 4½ per cent. The action of several commissions, including the District of Columbia commission, in raising the allowable rate of return of other companies to somewhat above 6 per cent was pointed out. Nor had competition and the risk factor in the electric industry diminished. The company also pointed out that its rate of return during the past few years had been favorably affected by its election to use rapid depreciation, allowing the resulting benefits to flow through to net operating income and to become available for return on equity capital. The commission concluded, however, that a rate of return of 5.85 per cent based on an end-of-period rate base would still be fair.

Out of the nearly \$5 million increase in system-wide revenues, almost \$3 million will be collected in the District of Columbia. This increase will be distributed on the basis of kilowatt-hour sales and revenues by classes of customers, with equal weight to each factor. *Re Potomac Electric Power Co. PUC No. 3614, Formal Case No. 464, Order No. 4525, April 10, 1959.*

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### Commission Takes Exception to Telephone Company's Accounting Methods

THE Ohio commission directed its accounting staff to examine a telephone company's books and records for the purpose of verifying amounts of expense charged to "Depreciation Reserve" rather than accounted for as "Repairs of Station Equipment," so that the commission could determine if proper adjustments were required in the company's capital and depreciation reserve accounts to more accurately reflect the actual financial status.

The company, in the commission's opinion, had been engaging in some remarkable accounting practices. Expenses of repairs of station equipment had been charged to depreciation reserve instead of to the proper expense account, so that surplus had been overstated and depreciation reserve understated. It might be well to assume, pointed out the commission, that

such a practice may have been instituted by the company's former management to maintain the level of dividends. The method used by the company permitted funds in the depreciation reserve to be available for the payment of dividends, in direct conflict with a statute, because commission approval had not been requested.

Since the company was presently accounting for repairs of station equipment in conformity with the Uniform System of Accounts, the commission adjusted upward operating expenses for the test year to represent book corrections for the last six months of the year.

The rate increase was approved, and it would produce a return of 5.75 per cent on the reproduction cost new rate base. *Re Elyria Teleph. Co. No. 27,402, January 3, 1959.*



### Restoration of Abandoned Service Justified

THE Pennsylvania superior court affirmed a commission order sustaining a complaint protesting a railroad's withdrawal of service to a coal mine. The discontinuance of service by the railroad had been accomplished without first securing commission approval.

The court held that the commission could, on complaint of a party desiring freight service, order the facilities restored at the railroad's expense where such facilities had been abandoned without approval.

The result was not affected by the fact that the complainant had not acquired standing to protest until after the abandonment was complete. It was immaterial, said the court, whether complainant acquired

his leasehold before or after service was abandoned.

The other question involved was whether the commission could order a railroad to install tracks upon a private siding. The railroad conceded that its tracks at the point where the complainant's mine was served were on a right of way owned by it, but argued that there were other intervening landowners between the facilities and its main line and that these landowners had the power to eject the railroad at any time. Sidetracks, said the court, when connected with the line of the railroad, are an integral part of the system, regardless of ownership. *New York C. R. Co. v. Pennsylvania Pub. Utility Commission, No. 97, March 18, 1959.*



## Commission Reversed on Service Continuance

THE West Virginia supreme court of appeals reversed a commission order which had approved only a portion of a railroad's request to discontinue passenger service on a certain branch, and had required continuation of passenger service on mixed trains on three days of each week.

Where a railroad seeks authority to discontinue furnishing passenger service, said the court, determination of whether a public necessity for continuation of such service exists may be made by considering the need for such service by the public

generally, not the need or convenience of a few individuals. The quantum of use the public makes of the existing service may, in usual circumstances, be the criterion for testing whether a public need exists. Here, the railroad had clearly established that no public need for the service existed. Public use had continued to decline over a period of years.

A substantial loss was being suffered by the railroad so as to warrant approval of the discontinuance. *Western Maryland R. Co. v. West Virginia Pub. Service Commission*, 106 SE2d 923.



## Utility Customers Free to Discontinue Service at Will

THE Wisconsin commission denied a rehearing in a case where it had granted certificates to two municipalities to construct and operate a water supply system. Another municipal water plant had contended that the municipalities could not arbitrarily discontinue obtaining water from it.

The commission pointed out that any customer lying within a utility's service area has a continuing right to receive service, and the utility has a corresponding continuing duty to furnish such service

under reasonable terms and conditions. However, the ties that bind the customer to the utility are much less secure. Lacking contract obligations, any customer, be he small residential, large industrial, or a public or private utility resale customer, is free to discontinue service at will. Any apparent inconsistency in the relative service obligations of a utility and its customers, said the commission, is found in the law and is not to be remedied by the commission. *Re Village of Fox Point, CA-3582, March 4, 1959.*



## Failure to Negotiate for Strike Settlement Violates Affirmative Duty to Serve

THE Colorado commission ordered a motor common carrier to take all lawful and reasonable means to resume service to the public, which had been interrupted by a strike of company employees. The company was further ordered to make all reasonable efforts to resume negotiations to settle the strike.

The commission noted that it had no constitutional or statutory power to settle

a strike, although it could order a company to perform its statutory duty to render service, and if the company failed to do so, could seek punitive action against it in the courts or revoke its certificate. The failure of the company, for a 3½-month period, to negotiate with the union in an attempt to settle the strike, was held to be a violation of the affirmative duty to serve the public.

## PROGRESS OF REGULATION

The company had proposed "stop-gap" operation between certain points. The commission noted that the service would be approved if the company was determined to discharge its affirmative duty and desired to render the proposed stop-gap service as evidence of its good faith and reasonable efforts. The acceptance of the service, however, was nowise to be

construed as a complete discharge of the company's affirmative duty to serve the public, the commission said. Resumption of full-scale service to all points on all routes was the minimum demand of the commission and of the people to be served. Less was not acceptable. *Re American Bus Line, Inc. Case No. 5155, Decision No. 51815, February 27, 1959.*



### Diminishing Patronage and Heavy Losses Bring Discontinuance of Rail Passenger Service

ALTHOUGH a mere deficit in the operation of rail passenger service is not alone a sufficient ground for the discontinuance of a passenger train, operating losses are important to the extent that losses on particular trains or branches may jeopardize the maintenance of remaining service, the Massachusetts commission indicated.

The interests of particular riders must be balanced against the cost of operation in order that the interests of the general riding public may be safeguarded. These considerations apply even though the company has for many years operated at an overall profit.

The commission authorized the New York Central Railroad Company, lessee of

Boston & Albany Railroad, to abandon its passenger stations in the towns of Milford and Holliston and to discontinue all passenger service on a 12-mile branch between Framingham and Milford. With constantly diminishing passenger patronage the company was losing about \$15,000 per year in order to serve approximately twenty people, or \$700 per person per year. Bus service was available in the area.

On all the evidence the commission found that the meager patronage on this branch indicated that the public convenience and necessity no longer required the company to continue the service. *Re New York C. R. Co. (Lessee of Boston & Albany R. Co.) DPU 12780, March 26, 1959.*

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### Other Recent Rulings

*Comparative Licensing Case.* A United States appeals court refused to interfere with a Federal Communications Commission order in a comparative television license case where the disappointed applicant's attack was directed to the commission's evaluation of several bases of comparison specified by the parties as applicable, and where the commission's reasoning was not arbitrary. *Beachview Broadcast-*

*ing Corp. v. Federal Communications Commission et al.* 262 F2d 688.

*Gas Company Accounting and Reporting.* The Federal Power Commission pointed out that it would be unfair to authorize Oklahoma Natural Gas Company, an intrastate operator, to exchange gas with an interstate pipeline company (a transaction subject to the Natural Gas

## PUBLIC UTILITIES FORTNIGHTLY

Act) without requiring Oklahoma Natural to comply with the commission's accounting and reporting requirements for all natural gas companies operating under the Natural Gas Act. *Re Consolidated Gas Utilities Corp. et al. Docket No. G-16446, February 17, 1959.*

*Telephone Company Return.* A return of 5.86 per cent on a telephone company's current value rate base was considered reasonable by the Minnesota commission. *Re Pioneer Northern Teleph. Co. Docket No. M-4521, March 20, 1959.*

*Rate Increase for Dial Service.* The Minnesota commission authorized a telephone company to increase rates in several exchanges as soon as they are converted to dial operation, which new rates are expected to afford a rate of return of 5.26 per cent on a depreciated book value rate base. *Re East Otter Tail Teleph. Co. M-4469, February 23, 1959.*

*Bond Issue.* The Indiana commission authorized a first mortgage, 30-year, 6 per cent bond issue by Northern Indiana Public Service Company in the principal amount of \$25 million, for the purpose of financing construction, refunding short-term debt, and reimbursing its treasury; a five-year redemption limitation against refunding with cheaper money will apply. *Re Northern Indiana Pub. Service Co. Cause No. 28077, February 26, 1959.*

*Electricity for Canada.* Eastern Maine Electric Co-operative, Inc., was authorized by the Federal Power Commission to deliver up to 200,000 kilowatt-hours of energy per year to The New Brunswick Electric Power Commission as an emergency supply, though such authority is sub-

ject to modification or termination upon further order of the commission and is also subject to the requirement that no energy be delivered when it is needed by consumers in the United States. *Re Eastern Maine Electric Co-op, Inc. Docket No. E-6853, March 9, 1959.*

*Stock Issuance and Surety.* The Federal Power Commission authorized California Electric Power Company to issue 300,000 shares of common stock at competitive bidding, one dollar par value per share, with estimated proceeds of \$6.6 million, for the purpose of refunding short-term debt incurred for construction; and in a separate order the company was further authorized to guarantee \$500,000 of notes of its wholly owned Mexican subsidiary-customer. *Re California Electric Power Co. Docket Nos. E-6864, E-6862, March 11, 1959.*

*Profit or Loss Not Decisive Issue.* The Missouri commission, in approving a railroad's request to discontinue an open agency station during a portion of each year, commented that public convenience and necessity are the determining factors, not whether the particular station is operated at a profit or loss. *Re St. Louis-S. F. R. Co. Case No. 14,048, March 26, 1959.*

*Underground Gas Storage.* The Illinois commission approved a company's application for permission to establish an underground storage project for natural gas where the proposed storage would not injure any water resources, would involve no condemnation, and would serve the public convenience and necessity. *Re Natural Gas Storage Co. of Illinois, No. 39940, March 23, 1959.*

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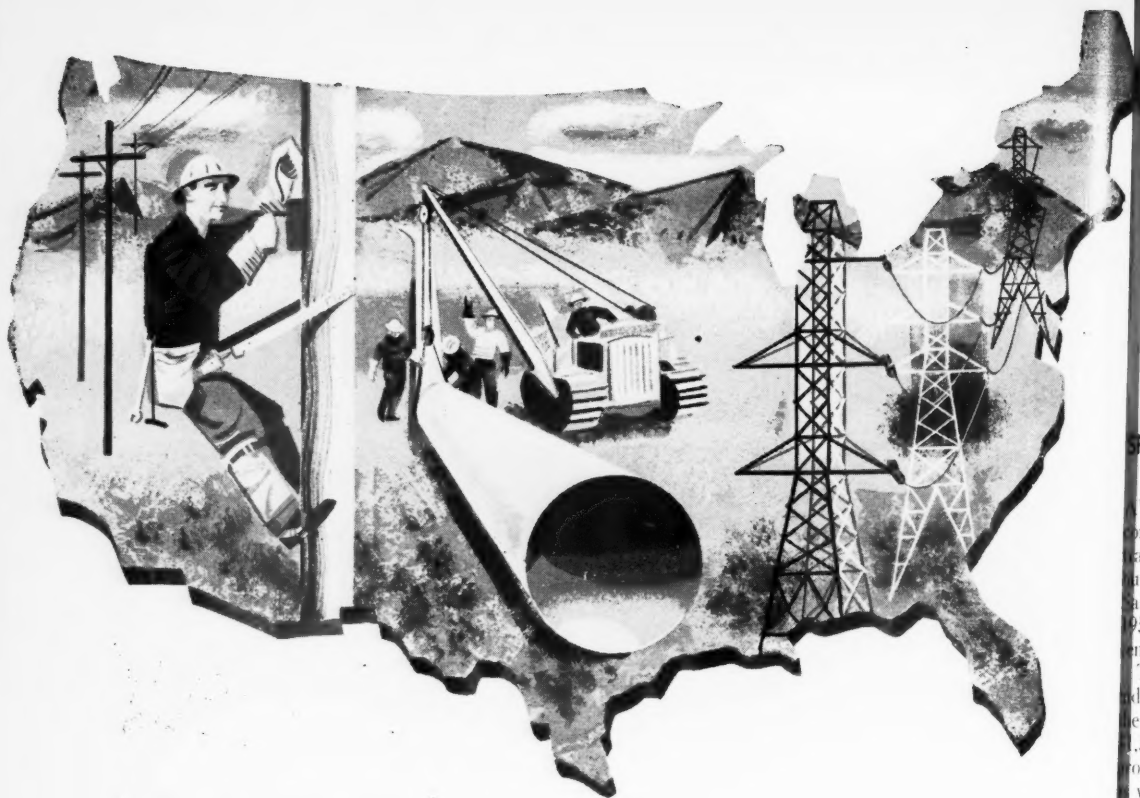
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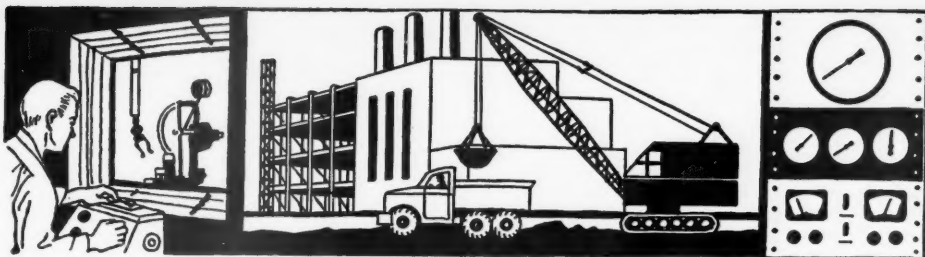
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## Industrial Progress

### PC Awards 1959 Natural Gas Project Contracts

AWARDING of contracts for the construction of the main natural gas transmission lines and urban distribution systems to be built under the Saskatchewan Power Corporation's 1959 gas program was announced recently by the Corporation.

Total amount of the five accepted bids, which cover labor costs of the projects only, is approximately \$1,575,000. Total cost for all of the projects concerned, including material as well as labor costs, is estimated at approximately \$7,595,000.

### R-R Issues Booklet on Univac Computer

PUBLICATION of a colorful eight page booklet about the New Univac computer has just been announced by Remington Rand division of Sperry Rand Corp. Entitled "The New Univac Magnetic Amplifier, Solid-State Computer," it briefly outlines some of the major benefits and equipment features available to users.

By combining compactness, high speed, and low cost, this computer has introduced a new phase of data processing into the business world. This has been made possible by two innovations—advanced solid-state computer design and a dynamically different data processing concept.

Solid-state design, representing a major engineering break-through, comprises such new and reliable devices as ferractor magnetic-core amplifiers, transistors, miniaturized components, and printed circuits.

The "total systems" concept takes such applications as production control, billing, accounts receivable, sales analysis, and inventory control, and coordinates them into a single unified processing procedure. The result is a better, more efficient total operation.

The system includes a Central Processor Unit, High-Speed Printing Unit, Read-Punch Unit, and High-Speed Reader Unit which combine into a data processing system of unsurpassed accuracy and reliability, ease of maintenance, and economy of operation. It can be operated in an area as small as 300 square feet and is one of the fastest computing systems in its class.

Copies of this booklet may be obtained at any Remington Rand branch office or by writing to the company at 315 Fourth Avenue, New York 10, N. Y., and requesting U-1218.

### General Electric Unveils New Static Protective Relay

A NEW static protective relay capable of operating at speeds faster than conventional electro-mechanical designs was unveiled recently by General Electric's Low Voltage Switchgear Department.

Development of the new static phase comparison relay—first in General Electric's new line of static relays for wide application in the protection of high voltage transmission lines and power system components—opens a new era in the art of protective relaying, according to department general manager Frank E. Stehlik.

Believed to be the most significant advancement in protective relaying since the introduction of high-speed relays thirty years ago, the new transistorized design has completed exhaustive field tests on the Muskingum-Philo 138 KV line of The Ohio Power Company.

Operating within one and one-half cycles, the new static relay greatly reduces damage caused by line faults and improves stability to give better system protection.

Designed for use with General Electric's new transistorized carrier current equipment, the relay provides

high-speed simultaneous tripping of transmission line breakers for all internal faults by comparing phase relationships of currents entering and leaving a line section.

Meetings to explain the new transistor phase comparison relay will be conducted at various locations throughout the country during the year.

### Pole Sprayers, Inc., Appoint DuVal Cravens, New President

JOHN L. SURDAM, President of Osmose Wood Preserving Company of America, Inc. has announced the election of DuVal Cravens as president of Pole Sprayers, Inc., an Osmose subsidiary. Mr. Cravens is also a vice president of the parent company. Both companies are located at 980 Ellicott Street, Buffalo, New York.

Pole Sprayers, Inc. has the unusual specialty of inspecting and preserving timber poles and structures already in place for the power, telephone and railroad industries. Its crews, along with those of the Osmose Company, perform work in all states in this country as well as operating in the Caribbean area and Central and South America.

### Cleveland Elec. Plans \$40 Million Expansion in Cleveland

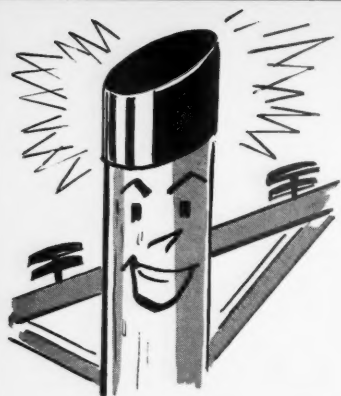
THE Cleveland Electric Illuminating Company recently unveiled plans for a \$40,000,000 expansion in Cleveland.

The project involves a major rebuilding and modernization of the company's Lake Shore power plant.

Older parts of the present structure on Memorial Shoreway at East 72nd street will be torn down to make room for the installation of a 250,000-kilowatt generating unit.

The plans were disclosed by Elmer L. Lindseth, president.

(Continued on page 22)



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## INDUSTRIAL PROGRESS—(Continued)

The new generating unit will replace a combination of seven turbines and 36 steam boilers at Lake Shore. One of the biggest in the country, it will deliver enough power to supply the lighting and appliance needs of some 300,000 homes.

Target date for putting it into operation is mid year 1962.

Mr. Linseth said that of the total construction cost, nearly a million dollars would be spent for "the most modern smoke and dust control equipment available today."

Completion of the new Lake Shore unit will raise the company's total generating capacity to 2,250,000 kilowatts.

### Robert Kyle Joins Commonwealth Services, Inc.

ROBERT KYLE, formerly vice president and director of The Gas Machinery Company, Cleveland, Ohio, has joined Commonwealth Services Inc. as a senior consultant. He will make his headquarters in Commonwealth's New York office at 300 Park avenue, according to W. B. Tippy, president of the management and engineering consulting firm.

Mr. Kyle has been with The Gas Machinery Company since 1948, where he was active in the areas of industrial heat processing, gas purification and the synthesizing of gas for ammonia and for iron ore reduction.

### Clark Introduces Packaged Control Systems for any Degree of Pipeline Automation

A NEW line of packaged control systems, designed for any degree of compressor automation, and already thoroughly job-tested, has been introduced by Clark Bros. Co., Division of Dresser Industries, Olean, New York.

Consisting of three basic control panels, Clark "packaged automation" ranges from a simple engine start system to a fully automatic engine and compressor control for remote location. With the addition of a computer controller and telemetering equipment, any number of remote automatic panels can be tied together for the automation of a complete station or pipeline.

Because the instrumentation has been carefully matched to the equipment it regulates, Clark packaged controls are said to have a built-in dependability factor unattainable in conventional control systems. From the best electric, electronic and pneumatic components available today, only

those have been selected that are completely compatible with the performance characteristics of Clark equipment. This thorough integration provides more accurate, reliable and economical control.

According to the announcement, Clark control packages are suitable for pipeline transmission (gas or oil), field compressing services, conservation, refining and the process industries.

Detailed information can be obtained by requesting new Bulletin 17 from Clark Bros. Co., Olean, N. Y.

### Anchor Metals Publishes Tower Information Folder

ANCHOR METALS, INC., Hurst, Texas, and Fort Madison, Iowa, has published an information folder giving details and specifications of its new steel transmission tower designed to compete economically against conventional wood H-Fram structures.

The folder may be obtained free by writing to Anchor Metals, Inc., Hurst, Texas.

The light weight towers will carry 138 KV single circuit transmission lines, are 68½ feet high to the cross arm and 75½ feet to the shield wire. The weight is only 4,162 pounds without footings, and base dimensions are 24 feet by 16 feet. During extensive tests, both transverse and longitudinal strength of the tower met maximum strains set forth in test specifications.

### Rennix Named General Sales Manager, Electro-Motive Division

APPOINTMENT of Victor E. Rennix, general sales manager of Electro-Motive Division of General Motors, to succeed Paul R. Turner, retired director of sales, was announced recently by Nelson C. Dezendorf, vice president of General Motors and general manager of Electro-Motive. Mr. Turner retired March 31st under provisions of the General Motors retirement plan.

The title of general sales manager will include all of the responsibilities heretofore assigned to the director of sales, Mr. Dezendorf said.

Mr. Turner leaves Electro-Motive after thirty-seven years of service, in a sales capacity. "He holds the American record for continuous presence in the case for internal combustion power in standard gauge rail transportation," said Mr. Dezendorf. "During this time he has personally sold more of this kind of equipment

United States railroads than any other one man in history."

### Booklet Gives Application Procedure of Preformed Splices

A NEW pocket-sized Application Procedure booklet containing complete instructions for the installation of Preformed Splices on messenger strands, ground wires, and open wires is now available from Preformed Line Products Company, 5349 Clair Avenue, Cleveland 3, Ohio. The pocket-sized booklet is now packed with every carton of Preformed Splices. Eight pages are contained within a removable cover which protects them in field use. The inside pages can be removed and punched for inclusion in Practices Handbooks. The Application Procedure booklet, No. 300, includes handy reference tables specifying Splice sizes and color markings for corresponding sizes and types of strand.

### Westinghouse Announces Development Of An All-Purpose Watt-Hour Meter Package For A-C Distribution Circuits

DEVELOPMENT of a single, all-purpose meter package for metering the five basic types of single and polyphase distribution circuits was announced by the Westinghouse meter department at the April 27-28 meeting of the Edison Electric Institute's meter committee. According to W. A. Heller who described the new equipment at the meeting, the meter package includes an integration of a 200-ampere transformer-type mounting, a DSP-2 watt-hour meter, and a family of interchangeable bus bars, all within a single steel enclosure. Adapting the meter package to a particular use can be done simply and rapidly in the field since conversion requires only a rearrangement of the bus bars. The only tool required is a wrench for tightening terminals. Standard assembly at time of manufacture is for 240-volt, three-phase, 4-wire delta service. The bus bar connections adapt the package for these applications: Single phase, three wire, 240 volts; three phase, three wire, 120 or 240 volts; three phase, four-wire wye, 120/208 volts; three phase, four wire delta, 240 volts; and 120- or 240-volt network circuits. Performance in these applications was reported to be equivalent to that of self-contained meters. Production of the new equipment

has already begun at the meter department in Raleigh, N. C. Readers interested in more information can receive technical literature from local Westinghouse offices or by dropping a card to R. A. Warren, Manager of Marketing, Westinghouse Electric Corporation, Raleigh, N. C.

### Kuljian Awarded Contract for New Power Station in Thailand

A CONTRACT for a new semi-outdoor power plant, to be built in Bangkok as a major step in Thailand's electrification and industrialization program, has been awarded to The Kuljian Corporation, Philadelphia, Pa., internationally known engineers and constructors.

The award made by the Yankee Electricity Authority calls for the design, engineering, construction supervision and initial operation of the new thermal power plant, H. A. Kuljian, president of the internationally known Philadelphia engineering firm, announced.

The initial installation, estimated to cost \$17,500,000, includes one 77,000 KW hydrogen-cooled turbo-generator

and one 580,000 lbs./hr., 1495 psig., 1000°F/1000°F reheat, pulverized lignite and fuel fired steam generator unit. The ultimate station capacity will be three 77,000 KW units and a 270,000 KVA substation.

The Yankee Electricity Authority has obtained a loan in the amount of \$14,500,000 from the Export-Import Bank of Washington which covers all power plant equipment and materials supplied from the United States. Westinghouse Electric International Company will supply a major portion of the generating equipment.

### Harold Barnum Named Manager Of Utility Sales For Sylvania Lighting

THE appointment of Harold Barnum as manager of utility sales for Sylvania Lighting Products, a division of Sylvania Electric Products Inc., has been announced by Garlan Morse, divisional vice president-sales. Sylvania Electric is a wholly-owned subsidiary of General Telephone & Electronics Corporation.

(Continued on page 24)

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NEW ISSUE

May 4, 1959

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### INDUSTRIAL PROGRESS—(Continued)

In his new assignment, Mr. Barnum will be responsible for the development of lighting products sales, advertising, and merchandising programs directed to utility field. He also will continue to have responsibility for those sales channels he has handled over the last year while serving as sales supervisor-mercury lamps.

Mr. Barnum will make his office at the division headquarters, 60 Boston street, Salem.

### **Philadelphia Elec. Orders G-E "Peaking" Gas Turbine**

THE General Electric Company's Gas Turbine Department has received an order from the Philadelphia Electric Company for a 20,500-kw specially-designed "peak" gas turbine. The unit will be used to quickly meet "peak" demands for electric power on the utility system.

This simple-cycle, single-shaft gas turbine designed for dual fuel operation—capable of burning either natural gas or distillate—is rated 20,500 kw with ambient temperature of 80 degrees F. The unit will drive a 2700 kilovolt-ampere air-cooled generator.

The General Electric "peaking" gas turbine is a product developed after five years of market research to meet electric power demand on utilities. It was introduced to the nation's electric utilities in March of this year.

### **Wetjen Named Vice President Of Buffalo Meter Company**

ELECTION of Russell W. Wetjen as vice president and general manager of Buffalo Meter Company, wholly owned subsidiary of American Meter Company, was announced recently by American Meter President William G. Hamilton, Jr.

Buffalo Meter Company manufactures water and other liquid meters for home and industry. The company has more than 65 years' experience in producing precision liquid measurement devices and operates a 100,000 square foot plant in Buffalo, New York.

Before he became associated with Buffalo Meter Company in 1958, Mr. Wetjen was sales manager of The Petroleum & Industrial Division of Neptune Meter Company. Previously he was president of The Perfect Propane Gas Company, Inc., Hawley, Pa.

### **New Telemetry System Features Accurate, Economical Operation**

AN industrial telemetry system transmitting over a single teletype, voice, or microwave channel, of a single metallic pair; has been developed and marketed by Applied Science Corporation of Princeton (ASCOP). This new equipment is designed for sampling and telemetry remote measurements in oil and gas pipeline systems, power distribution systems, public utility systems, industrial processes, and others. Its output signal is ideal for computer control.

According to the announcement, the new telemetry system uses only solid-state and similarly reliable components to provide outstanding dependability. A single ASCOP system consists of a transmitter and receiver which can transmit and receive up to 30 data points with an accuracy of better than 99 per cent. A minimum data system of one point can be purchased and expanded in the field up to the maximum of 30 points for a single transmitter/receiver combination.

Standard transducers can be used at the transmitter input and a variety of standard indicators can be connected to the receiver output.

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### G-E Appointments

APPOINTMENT of Clement E. Sutton as manager of marketing in the General Electric Company's Gas Turbine Department, Schenectady, N. Y., has been announced by C. W. Elston, department general manager.

Mr. Sutton, who has served as manager of marketing for the company's Apparatus Service Shops Department, succeeds Edward G. Naylor who has been named to the newly-created post of manager of plant Sub-Contracting Operations in the Schenectady Public and Employee Relations Department.

### Stone & Webster Announces New Appointments

M. H. CUTLER has been named engineering manager of Stone & Webster Engineering Corporation, one of the world's largest engineering and construction organizations, it was announced recently.

Mr. Cutler, formerly assistant engineering manager, succeeds Fred W. Argue who was recently named executive vice president of the 70-year-old New York and Boston corporation.

In a series of other executive shifts, Thomas A. Fearnside, chief mechanical engineer, was made assistant engineering manager. Floyd F. Dedrick, assistant chief mechanical engineer, was named to succeed Mr. Fearnside.

Mr. Cutler, who had previously been chief structural engineer, joined Stone & Webster in 1923. He has done design and consulting work on power stations, industrial and chemical plants, office and institutional buildings in many sections of the U. S. and Canada.

Mr. Fearnside, who joined Stone & Webster in 1940, is a graduate of Massachusetts Institute of Technology and attended the Harvard School of Business Administration. As mechanical engineer he has been in charge of engineering of power plants for various utility and industrial clients of Stone & Webster. A Fellow of the American Society of Mechanical Engineers, and a member of the National Society of Professional Engineers, he resides in Wellesley, Mass.

Mr. Dedrick joined Stone & Webster in 1942 after working for General Electric Co., Brooklyn Edison Co., and Consolidated Edison Co., in New York City. Born in Colonie, N. Y., he was graduated from Rensselaer Polytechnic Institute. He has worked on

the design of power plants for utility stations, nuclear facilities, chemical and other industrial facilities. A member of Sigma Xi, the American Society of Mechanical Engineers and the National Society of Professional Engineers, he resides in Newton Highlands, Mass.

### Schutt Receives Special GAMA Award Of Merit

EVERETT V. K. SCHUTT, industrial gas engineer for the Central Hudson Gas and Electric Co., Poughkeepsie, N. Y., has received a special Award of Merit from the Gas Appliance Manufacturers Association for "distinguished service to the industrial gas industry."

Mr. Schutt is credited with pioneering leadership in developing improved relations with industrial customers of gas. He was instrumental in working out a plan for a series of utility-customer symposiums that have resulted in better service to gas users in the textile industry. His plan now is being followed by utility companies throughout the nation for providing improved service to a number of industries.

The award was presented at a sales conference of the American Gas Association at Philadelphia by Edward J. Funk, Jr., vice president of the C. M. Kemp Manufacturing Co., Baltimore, and retiring chairman of the industrial gas equipment division of GAMA, and Alvin M. Stock, vice president of the Partlow Corp., Utica, N. Y., and chairman of the division's awards committee.

### Public Service Elec. & Gas Reports Progress on Large Construction Program

PUBLIC Service Electric and Gas Company (Newark, N. J.) reports that as of February 28, 1959, the construction program of the Company, based on recent prices, amounted to approximately \$320,000,000 of which \$294,000,000 was for electric facilities and \$26,000,000 was for gas facilities. While this program provides for large expenditures for electric transmission and distribution facilities, and gas distribution plant, the greater portion is to provide for additional electric generating facilities at three separate locations.

Planned for completion this year is the new Bergen electric generating station which will have initially two turbine-generator units of 290,000

kilowatt capacity each. Another station is being constructed in Trenton which will have two units of 320,000 kilowatt capacity each, one of which is scheduled for service in 1960 and the other in 1961. An additional new unit of 342,000 kilowatt capacity is being planned for installation and service in 1962 at the Warren generating station.

When these new facilities are completed the company's total electric generating capacity will be 4,654,300 kilowatts, representing a 59 per cent increase over the capacity on December 31, 1958.

### White Motor Appointment

JOSEPH E. ADAMS, vice president-manufacturing since 1956 and a member of the White organization for 15 years, has been elected executive vice president for manufacturing and development of The White Motor Company by the board of directors of the truck firm. The position is newly created in the White corporate structure.

President J. N. Bauman said the new position was established as a result of the continuing expansion and diversification of White Motor's sales and product lines, which now embrace White, Autocar, Reo and Diamond trucks and transport tractors and White Superior Diesel stationary engines.

In his new capacity, Adams will coordinate product research and development, manufacturing, advanced engineering and purchasing activities of all White Motor divisions. He will continue to be headquartered at Cleveland.

"The coordination of these operating functions under one man will enable The White Motor Company to gain the utmost benefit from manufacturing and developmental abilities of all divisions," said Bauman. "Our goal is continued leadership for White Motor in pioneering truck advancements—leadership exemplified in the industry's first power-tilt cab, first 90-inch tractor, and most recently the first fiberglass-cab tractor, all introduced by White."

Mr. Adams joined The White Motor Company in May, 1944, as production control manager. He became director of material control in 1946, director of purchasing and planning in 1950, general manager of manufacturing in 1955, and vice president manufacturing in 1956.

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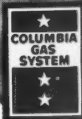
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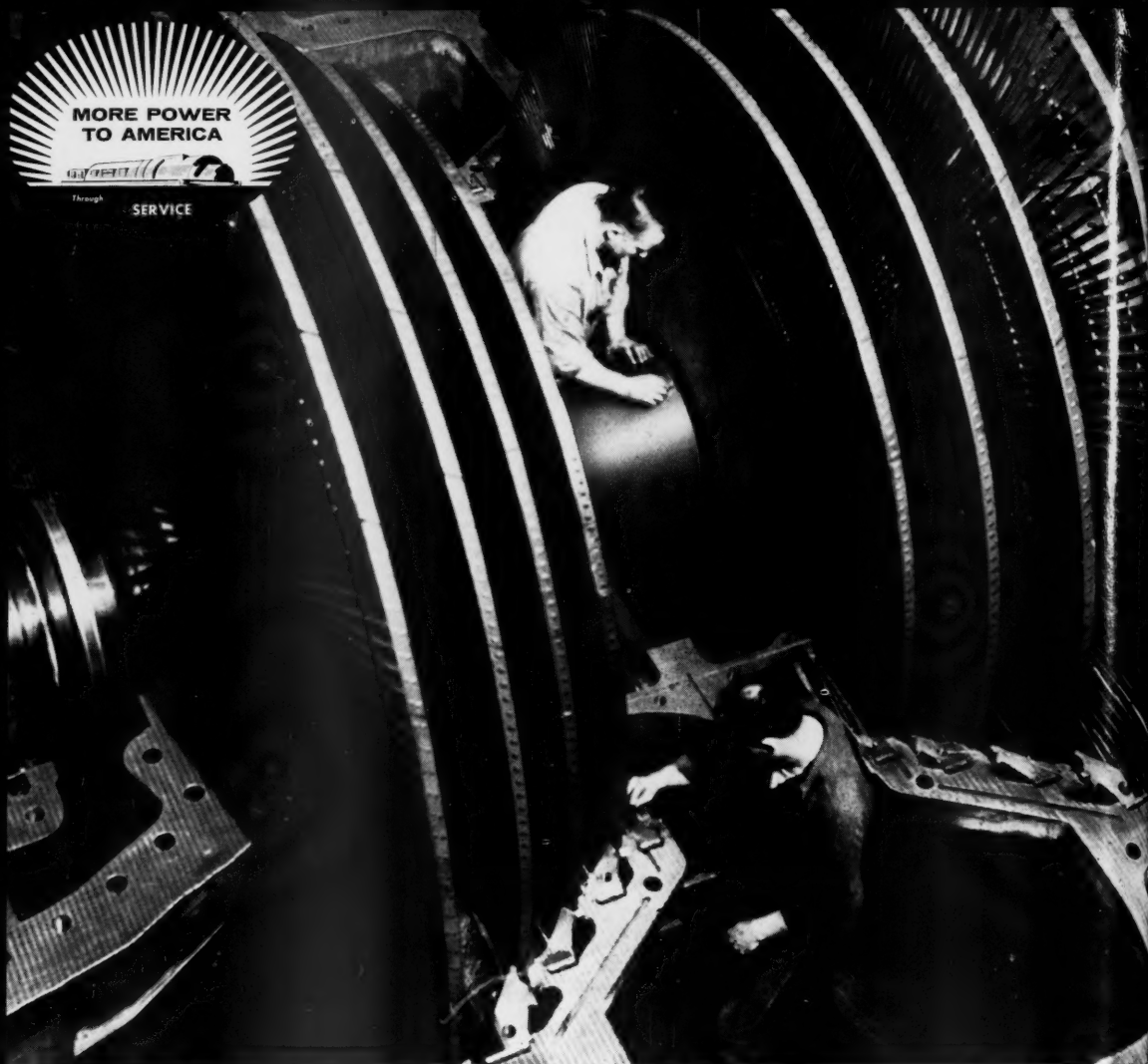


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